AMERICAN INTERNATIONAL GROUP INC
Form 10-Q
May 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015	**Commission File Number 1-8787**

American International Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-2592361**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
175 Water Street, New York, New York	**10038**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 770-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 29, 2015, there were 1,333,395,436 shares outstanding of the registrant's common stock.

AMERICAN INTERNATIONAL GROUP, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED

March 31, 2015

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

American International Group, Inc.

CONDENSED Consolidated Balance Sheets *(unaudited)*

(in millions, except for share data)	
Assets:	
Investments:	
Fixed maturity securities:	
Bonds available for sale, at fair value (amortized cost: 2015 - $242,114; 2014 - $243,307)	**$ 2**
Other bond securities, at fair value (See Note 6)	
Equity Securities:	
Common and preferred stock available for sale, at fair value (cost: 2015 - $1,683; 2014 - $1,930)	
Other common and preferred stock, at fair value (See Note 6)	
Mortgage and other loans receivable, net of allowance (portion measured at fair value: 2015 - $6; 2014 - $6)	
Other invested assets (portion measured at fair value: 2015 - $9,196; 2014 - $9,394)	
Short-term investments (portion measured at fair value: 2015 - $1,208; 2014 - $1,684)	
Total investments	**3**
Cash	
Accrued investment income	
Premiums and other receivables, net of allowance	
Reinsurance assets, net of allowance	
Deferred income taxes	
Deferred policy acquisition costs	
Derivative assets, at fair value	
Other assets, including restricted cash of $2,072 in 2015 and $2,025 in 2014	
Separate account assets, at fair value	
Total assets	**$ 5**
Liabilities:	
Liability for unpaid losses and loss adjustment expenses	**$**
Unearned premiums	
Future policy benefits for life and accident and health insurance contracts	

Policyholder contract deposits (portion measured at fair value: 2015 - $1,882; 2014 - $1,561)	**1**
Other policyholder funds (portion measured at fair value: 2015 - $8; 2014 - $8)	
Derivative liabilities, at fair value	
Other liabilities (portion measured at fair value: 2015 - $178; 2014 - $350)	
Long-term debt (portion measured at fair value: 2015 - $4,844; 2014 - $5,466)	
Separate account liabilities	
Total liabilities	**4**
Contingencies, commitments and guarantees (see Note 10)	
AIG shareholders’ equity:	
Common stock, $2.50 par value; 5,000,000,000 shares authorized; shares issued: 2015 - 1,906,671,492 and 2014 - 1,906,671,492	
Treasury stock, at cost; 2015 - 559,593,905 shares; 2014 - 530,744,521 shares	**(2**
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive income	
Total AIG shareholders’ equity	**1**
Non-redeemable noncontrolling interests	
Total equity	**1**
Total liabilities and equity	**$ 5**

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME *(unaudited)*

Three Months Ended March 31, *(dollars in millions, except per share data)*		**2015**		2
Revenues:				
Premiums	$	8,822	$	9
Policy fees		677		
Net investment income		3,838		4
Net realized capital gains (losses):				
Total other-than-temporary impairments on available for sale securities		(87)		
Portion of other-than-temporary impairments on available for sale fixed maturity securities recognized in Other comprehensive income		(10)		
Net other-than-temporary impairments on available for sale securities recognized in net income		(97)		
Other realized capital gains (losses)		1,438		
Total net realized capital gains (losses)		1,341		(
Aircraft leasing revenue		-		1
Other income		1,297		1
Total revenues		15,975		16
Benefits, losses and expenses:				
Policyholder benefits and losses incurred		6,551		6
Interest credited to policyholder account balances		935		
Amortization of deferred policy acquisition costs		1,350		1
General operating and other expenses		2,949		3
Interest expense		340		
Aircraft leasing expenses		-		1
Loss on extinguishment of debt		68		
Net (gain) loss on sale of properties and divested businesses		6		
Total benefits, losses and expenses		12,199		13
Income from continuing operations before income tax expense		3,776		2
Income tax expense		1,300		
Income from continuing operations		2,476		1
Income (loss) from discontinued operations, net of income tax expense		1		
Net income		2,477		1
Less:				
Net income from continuing operations attributable to noncontrolling interests		9		
Net income attributable to AIG	$	2,468	$	1

Income per common share attributable to AIG:				
Basic:				
Income from continuing operations	**$**	**1.81**	$	
Loss from discontinued operations	**$**	**-**	$	(0
Net income attributable to AIG	**$**	**1.81**	$	
Diluted:				
Income from continuing operations	**$**	**1.78**	$	
Loss from discontinued operations	**$**	**-**	$	(0
Net income attributable to AIG	**$**	**1.78**	$	
Weighted average shares outstanding:				
Basic		**1,365,951,690**		1,459,249
Diluted		**1,386,263,549**		1,472,510
Dividends declared per common share	**$**	**0.125**	$	0

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED Consolidated Statements of Comprehensive Income *(unaudited)*

Three Months Ended March 31, *(in millions)*	2015	2014
Net income	**$ 2,477**	$ 1,612
Other comprehensive income, net of tax		
Change in unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were taken	**(72)**	89
Change in unrealized appreciation of all other investments	**539**	2,785
Change in foreign currency translation adjustments	**(459)**	(158)
Change in retirement plan liabilities adjustment	**29**	9
Other comprehensive income	**37**	2,725
Comprehensive income	**2,514**	4,337
Comprehensive income attributable to noncontrolling interests	**6**	3
Comprehensive income attributable to AIG	**$ 2,508**	$ 4,334

See accompanying Notes to Condensed Consolidated Financial Statements.

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Item 1 / Financial statements

American International Group, Inc.

CONDENSED CONSOLIDATED Statement of Equity *(unaudited)*

(in millions)	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total AIG Share-holders' Equity
Three Months Ended March 31, 2015						
Balance, beginning of year	**$ 4,766**	**$ (19,218)**	**$ 80,958**	**$ 29,775**	**$ 10,617**	**$ 106,898**
Purchase of common stock	**-**	**(1,602)**	**-**	**-**	**-**	**(1,602)**
Net income attributable to AIG or other noncontrolling interests	**-**	**-**	**-**	**2,468**	**-**	**2,468**
Dividends	**-**	**-**	**-**	**(170)**	**-**	**(170)**
Other comprehensive income (loss)	**-**	**-**	**-**	**-**	**40**	**40**
Net increase due to deconsolidation	**-**	**-**	**-**	**-**	**-**	**-**
Contributions from noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**
Distributions to noncontrolling interests	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**345**	**-**	**-**	**345**
Balance, end of period	**$ 4,766**	**$ (20,820)**	**$ 81,303**	**$ 32,073**	**$ 10,657**	**$ 107,979**
Three Months Ended March 31, 2014						
Balance, beginning of year	$ 4,766	$ (14,520)	$ 80,899	$ 22,965	$ 6,360	$ 100,470
Purchase of common stock	-	(867)	-	-	-	(867)
Net income attributable to AIG or other noncontrolling interests	-	-	-	1,609	-	1,609
Dividends	-	-	-	(182)	-	(182)
Other comprehensive income (loss)	-	-	-	-	2,725	2,725
Net decrease due to consolidation	-	-	-	-	-	-
Contributions from noncontrolling interests	-	-	-	-	-	-
Distributions to noncontrolling interests	-	-	-	-	-	-
Other	-	1	76	1	-	78
Balance, end of period	$ 4,766	$ (15,386)	$ 80,975	$ 24,393	$ 9,085	$ 103,833

See accompanying Notes to Condensed Consolidated Financial Statements.

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American International Group, Inc.

CONDENSED Consolidated Statements of Cash Flows *(unaudited)*

Three Months Ended March 31, *(in millions)*	**2015**	2014
Cash flows from operating activities:		
Net income	**$ 2,477**	$ 1,612
(Income) loss from discontinued operations	**(1)**	47
Adjustments to reconcile net income to net cash provided by operating activities:		
Noncash revenues, expenses, gains and losses included in income:		
Net gains on sales of securities available for sale and other assets	**(974)**	(246)
Net (gain) loss on sale of divested businesses	**6**	(4)
Net losses on extinguishment of debt	**68**	238
Unrealized losses in earnings - net	**457**	585
Equity in income from equity method investments, net of dividends or distributions	**(362)**	(441)
Depreciation and other amortization	**1,226**	1,121
Impairments of assets	**212**	138
Changes in operating assets and liabilities:		
Insurance reserves	**(295)**	1,495
Premiums and other receivables and payables - net	**(572)**	(701)
Reinsurance assets and funds held under reinsurance treaties	**(272)**	(1,532)
Capitalization of deferred policy acquisition costs	**(1,439)**	(1,462)
Current and deferred income taxes - net	**1,161**	450
Other, net	**(1,304)**	(537)
Total adjustments	**(2,088)**	(896)
Net cash provided by operating activities	**388**	763
Cash flows from investing activities:		
Proceeds from (payments for)		
Sales or distribution of:		
Available for sale investments	**6,189**	6,365
Other securities	**1,094**	1,725
Sales or distributions of other invested assets (including flight equipment)	**1,648**	1,041
Maturities of fixed maturity securities available for sale	**5,251**	5,347
Principal payments received on and sales of mortgage and other loans receivable	**1,047**	765
Purchases of:		
Available for sale investments	**(9,844)**	(11,592)
Other securities	**(476)**	(181)
Purchases of other invested assets (including flight equipment)	**(1,132)**	(1,218)
Mortgage and other loans receivable	**(1,657)**	(1,307)

Net change in restricted cash	**(47)**	(667)
Net change in short-term investments	**(804)**	3,588
Other, net	**(955)**	(83)
Net cash provided by investing activities	**314**	3,783
Cash flows from financing activities:		
Proceeds from (payments for)		
Policyholder contract deposits	**3,713**	4,008
Policyholder contract withdrawals	**(3,533)**	(3,548)
Issuance of long-term debt	**2,585**	1,583
Repayments of long-term debt	**(1,893)**	(3,281)
Purchase of Common Stock	**(1,398)**	(867)
Dividends paid	**(170)**	(182)
Other, net	**92**	(2,002)
Net cash used in financing activities	**(604)**	(4,289)
Effect of exchange rate changes on cash	**(33)**	(11)
Net increase in cash	**65**	246
Cash at beginning of year	**1,758**	2,241
Change in cash of businesses held-for-sale	**-**	3
Cash at end of period	**$ 1,823**	$ 2,490

Supplementary Disclosure of Condensed Consolidated Cash Flow Information

Cash paid during the period for:		
Interest	**$ 307**	$ 840
Taxes	**$ 140**	$ 165
Non-cash investing/financing activities:		
Interest credited to policyholder contract deposits included in financing activities	**$ 937**	$ 1,052

See accompanying Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 100 countries and jurisdictions. AIG companies serve commercial, institutional and individual customers through one of the most extensive worldwide property casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States. AIG Common Stock, par value $2.50 per share, (AIG Common Stock) is listed on the New York Stock Exchange (NYSE: AIG) and the Tokyo Stock Exchange. Unless the context indicates otherwise, the terms “AIG,” “we,” “us” or “our” mean American International Group, Inc. and its consolidated subsidiaries and the term “AIG Parent” means American International Group, Inc. and not any of its consolidated subsidiaries.

These unaudited Condensed Consolidated Financial Statements do not include all disclosures that are normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) and should be read in conjunction with the audited Consolidated Financial Statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Annual Report). The condensed consolidated financial information as of December 31, 2014 included herein has been derived from audited Consolidated Financial Statements in the 2014 Annual Report.

Certain of our foreign subsidiaries included in the Condensed Consolidated Financial Statements report on different fiscal-period bases. The effect on our condensed consolidated financial condition and results of operations of all material events occurring at these subsidiaries through the date of each of the periods presented in these Condensed Consolidated Financial Statements has been recorded. In the opinion of management, these Condensed Consolidated Financial statements contain normal recurring adjustments, including eliminations of material intercompany accounts and transactions, necessary for a fair statement of the results presented herein.

Interim period operating results may not be indicative of the operating results for a full year. We evaluated the need to recognize or disclose events that occurred subsequent to March 31, 2015 and prior to the issuance of these Condensed Consolidated Financial Statements.

Sale of ILFC

On May 14, 2014, we completed the sale of 100 percent of the common stock of International Lease

Finance Corporation (ILFC) to AerCap Ireland Limited, a wholly owned subsidiary of AerCap Holdings N.V. (AerCap), in exchange for total consideration of approximately $7.6 billion, including cash and 97.6 million newly issued AerCap common shares (the AerCap Transaction). The total value of the consideration was based in part on AerCap’s closing price per share of $47.01 on May 13, 2014. ILFC’s results of operations are reflected in Aircraft leasing revenue and Aircraft leasing expenses in the Condensed Consolidated Statements of Income through the date of the completion of the sale.

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Item 1 / NOTE 1. BASIS OF PRESENTATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires the application of accounting policies that often involve a significant degree of judgment. Accounting policies that we believe are most dependent on the application of estimates and assumptions are considered our critical accounting estimates and are related to the determination of:

- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset;
- liability for unpaid losses and loss adjustment expenses;
- reinsurance assets;
- valuation of future policy benefit liabilities and timing and extent of loss recognition;
- valuation of liabilities for guaranteed benefit features of variable annuity products;
- estimated gross profits to value deferred acquisition costs for investment oriented products;
- impairment charges, including other than temporary impairments on available for sale securities, impairments on investments in life settlements and goodwill impairment;
- liability for legal contingencies; and
- fair value measurements of certain financial assets and liabilities.

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial condition, results of operations and cash flows could be materially affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During 2015

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure

In January 2014, the Financial Accounting Standards Board (FASB) issued an accounting standard that clarifies that a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, so that the loan is derecognized and the real estate property is recognized, when either (i) the creditor obtains legal title to the residential real estate property upon completion of a foreclosure or (ii) the borrower conveys all interest in the residential real estate property to the creditor to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement.

We adopted the standard on its required effective date of January 1, 2015. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Reporting Discontinued Operations

In April 2014, the FASB issued an accounting standard that changes the requirements for presenting a component or group of components of an entity as a discontinued operation and requires new disclosures. Under the standard, the disposal of a component or group of components of an entity should be reported as a discontinued operation if the disposal represents a

strategic shift that has (or will have) a major effect on an entity's operations and financial results. Disposals of equity method investments, or those reported as held-for-sale, must be presented as a discontinued operation if they meet the new definition. The standard also requires entities to provide disclosures about the disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation.

We adopted the standard on its required effective date of January 1, 2015 on a prospective basis. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures

In June 2014, the FASB issued an accounting standard that changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements. It also requires additional disclosures about repurchase agreements and other similar transactions. The standard aligns the accounting for repurchase-to-maturity transactions and repurchase agreements executed as repurchase financings with the accounting for other typical repurchase agreements such that they all will be accounted for as secured borrowings. The standard eliminates sale accounting for repurchase-to-maturity transactions and supersedes the standard under which a transfer of a financial asset and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward agreement.

We adopted the standard on its required effective date of January 1, 2015 on a prospective basis. The adoption of this standard had no material effect on our consolidated financial condition, results of operations or cash flows.

Future Application of Accounting Standards

Revenue Recognition

In May 2014, the FASB issued an accounting standard that supersedes most existing revenue recognition guidance. The standard excludes from its scope the accounting for insurance contracts, leases, financial instruments, and other agreements that are governed under other GAAP guidance, but could affect the revenue recognition for certain of our other activities.

The standard is effective for interim and annual reporting periods beginning after December 15, 2016 and may be applied retrospectively or through a cumulative effect adjustment to retained earnings at the date of adoption. Early adoption is not permitted. We plan to adopt the standard on its required effective date of January 1, 2017 and are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

Accounting for Share-Based Payments with Performance Targets

In June 2014, the FASB issued an accounting standard that clarifies the accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The standard requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition.

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Item 1 / NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The standard may be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We plan to adopt the standard on its required effective date of January 1, 2016 and do not expect the adoption of the standard to have a material effect on our consolidated financial condition, results of operations or cash flows.

Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity

In August 2014, the FASB issued an accounting standard that allows a reporting entity to measure the financial assets and financial liabilities of a qualifying consolidated collateralized financing entity using the fair value of either its financial assets or financial liabilities, whichever is more observable.

The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The standard may be applied retrospectively to all relevant prior periods presented starting with January 1, 2010 or through a cumulative effect adjustment to retained earnings at the date of adoption. We plan to adopt the standard on its required effective date of January 1, 2016 and are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

Consolidation: Amendments to the Consolidation Analysis

In February 2015, the FASB issued an accounting standard that affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; eliminate the presumption that a general partner should consolidate a limited partnership; affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships; and provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

The standard is effective for interim and annual reporting periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The standard may be applied retrospectively or through a cumulative effect adjustment to retained earnings as of the beginning of the year of adoption. We plan to adopt the standard on its required effective date of January 1, 2016 and are assessing the impact of the standard on our consolidated financial condition, results of operations and cash flows.

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Item 1 / NOTE 3. SEGMENT INFORMATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. SEGMENT INFORMATION

We report our results of operations consistent with the manner in which our chief operating decision makers review the business to assess performance and allocate resources through two reportable segments: Commercial Insurance and Consumer Insurance in addition to a Corporate and Other category. The Corporate and Other category consists of businesses and items not allocated to our reportable segments.

We evaluate performance based on revenue and pre-tax operating income (loss). Pre-tax operating income (loss) is derived by excluding certain items from net income (loss) attributable to AIG. See the table below for items excluded from pre-tax operating income (loss).

The following tables present our operations by reportable segment:

	2015		2014	
Three Months Ended March 31, *(in millions)*	Total Revenues	Pre-Tax Operating Income (Loss)	Total Revenues	In
Commercial Insurance				
Property Casualty	$ **5,956**	$ **1,170**	$ 6,112	$
Mortgage Guaranty	**264**	**145**	248	
Institutional Markets	**624**	**147**	695	
Total Commercial Insurance	**6,844**	**1,462**	7,055	
Consumer Insurance				
Retirement	**2,388**	**800**	2,485	
Life	**1,613**	**171**	1,610	
Personal Insurance	**2,862**	**(26)**	3,064	
Total Consumer Insurance	**6,863**	**945**	7,159	
Corporate and Other				
Direct Investment book	**178**	**145**	519	
Global Capital Markets	**137**	**114**	59	
AIG Parent and Other*	**968**	**(120)**	523	
Consolidation and elimination	**(273)**	**(1)**	(133)	
Total Corporate and Other	**1,010**	**138**	968	
AIG Consolidation and elimination	**(127)**	**(18)**	(82)	

Total AIG Consolidated revenues and pre-tax operating income	$	14,590$	2,527$	15,100$
Reconciling Items from pre-tax operating income to pre-tax income:				
Changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense		44	44	76
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains		-	(54)	-
Loss on extinguishment of debt		-	(68)	-
Net realized capital gains		1,341	1,341	(152)
Income from divested businesses		(15)	(21)	1,113
Legal settlements related to legacy crisis matters		15	15	26
Legal reserves related to legacy crisis matters		-	(8)	-
Pre-tax income	$	15,975$	3,776$	16,163$

* Includes Run-off Insurance Lines and Other Businesses.

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Item 1 / NOTE 4. DISCONTINUED OPERATIONS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

4. DISCONTINUED OPERATIONS

Discontinued Operations

In connection with the 2010 sale of American Life Insurance Company (ALICO) to MetLife, Inc. (MetLife), we recognized the following income (loss) from discontinued operations:

Three Months Ended March 31,				
(in millions)		**2015**		2014
Revenues:				
Gain (loss) on sale	**$**	**1**	$	(1)
Gain (loss) from discontinued operations, before income tax expense		**1**		(1)
Income tax expense		**-**		46
Income (loss) from discontinued operations, net of income tax expense	**$**	**1**	$	(47)

5. FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

Assets and liabilities recorded at fair value in the Condensed Consolidated Balance Sheets are measured and classified in accordance with a fair value hierarchy consisting of three “levels” based on the observability of valuation inputs:

- **Level 1:** Fair value measurements based on quoted prices (unadjusted) in active markets that we have the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets. We do not adjust the quoted price for such instruments.

- **Level 2:** Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

- **Level 3:** Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, we must make certain assumptions about the inputs a hypothetical market participant would use to value that asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents information about assets and liabilities measured at fair value on a recurring basis and indicates the level of the fair value measurement based on the observability of the inputs used:

March 31, 2015 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting	Cash Collateral	T
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 65	$ 2,709	$ -	$ -	$ -	$ 2
Obligations of states, municipalities and political subdivisions	-	25,579	2,256	-	-	27
Non-U.S. governments	716	19,139	34	-	-	19
Corporate debt	-	142,315	1,827	-	-	144
RMBS	-	20,387	17,345	-	-	37
CMBS	-	10,749	2,694	-	-	13
CDO/ABS	-	8,554	6,453	-	-	15
Total bonds available for sale	781	229,432	30,609	-	-	260
Other bond securities:						
U.S. government and government sponsored entities	-	5,483	-	-	-	5
Obligations of states, municipalities and political subdivisions	-	76	-	-	-	
Non-U.S. governments	-	2	-	-	-	
Corporate debt	-	551	16	-	-	
RMBS	-	888	1,288	-	-	2
CMBS	-	676	269	-	-	
CDO/ABS	-	1,914	7,850	-	-	9
Total other bond securities	-	9,590	9,423	-	-	19
Equity securities available for sale:						
Common stock	3,056	3	1	-	-	3
Preferred stock	25	-	-	-	-	
Mutual funds	680	1	-	-	-	
Total equity securities available for sale	3,761	4	1	-	-	3
Other equity securities	1,076	2	22	-	-	1
Mortgage and other loans receivable	-	-	6	-	-	
Other invested assets	2	4,096	5,098	-	-	9
Derivative assets:						

Interest rate contracts	1	4,806	14	-	-	4
Foreign exchange contracts	-	971	-	-	-	
Equity contracts	109	7	68	-	-	
Commodity contracts	-	-	-	-	-	
Credit contracts	-	-	4	-	-	
Other contracts	-	-	29	-	-	
Counterparty netting and cash collateral	-	-	-	(2,476)	(1,912)	(4,
Total derivative assets	110	5,784	115	(2,476)	(1,912)	1
Short-term investments	566	642	-	-	-	1
Separate account assets	76,673	5,466	-	-	-	82
Total	$ 82,969	$255,016	$ 45,274	$ (2,476)	$(1,912)	$378
Liabilities:						
Policyholder contract deposits	$ -	$ 47	$ 1,835	$ -	$ -	$ 1
Other policyholder funds	-	8	-	-	-	

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Derivative liabilities:						
Interest rate contracts	-	**4,073**	**83**	**-**	**-**	**4,156**
Foreign exchange contracts	-	**1,445**	**8**	**-**	**-**	**1,453**
Equity contracts	-	**87**	**2**	**-**	**-**	**89**
Commodity contracts	-	**6**	**-**	**-**	**-**	**6**
Credit contracts	-	**-**	**795**	**-**	**-**	**795**
Other contracts	-	**-**	**88**	**-**	**-**	**88**
Counterparty netting and cash collateral	-	**-**	**-**	**(2,476)**	**(1,460)**	**(3,936)**
Total derivative liabilities	-	**5,611**	**976**	**(2,476)**	**(1,460)**	**2,651**
Long-term debt	-	**4,658**	**186**	**-**	**-**	**4,844**
Other liabilities	-	**178**	**-**	**-**	**-**	**178**
Total	$ -	**$ 10,502**	**$ 2,997**	**$ (2,476)**	**$ (1,460)**	**$ 9,563**

December 31, 2014 *(in millions)*	Level 1	Level 2	Level 3	Counterparty Netting	Cash Collateral	T
Assets:						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 322	$ 2,670	$ -	$ -	$ -	$ 2
Obligations of states, municipalities and political subdivisions	-	25,500	2,159	-	-	27
Non-U.S. governments	742	20,323	30	-	-	21
Corporate debt	-	142,550	1,883	-	-	144
RMBS	-	20,715	16,805	-	-	37
CMBS	-	10,189	2,696	-	-	12
CDO/ABS	-	7,165	6,110	-	-	13
Total bonds available for sale	1,064	229,112	29,683	-	-	259
Other bond securities:						
U.S. government and government sponsored entities	130	5,368	-	-	-	5
Obligations of states, municipalities and political subdivisions	-	122	-	-	-	
Non-U.S. governments	-	2	-	-	-	
Corporate debt	-	719	-	-	-	
RMBS	-	989	1,105	-	-	2
CMBS	-	708	369	-	-	1
CDO/ABS	-	2,751	7,449	-	-	10
Total other bond securities	130	10,659	8,923	-	-	19
Equity securities available for sale:						
Common stock	3,626	2	1	-	-	3
Preferred stock	25	-	-	-	-	
Mutual funds	738	3	-	-	-	

Total equity securities available for sale	4,389	5	1	-	-	4
Other equity securities	1,024	25	-	-	-	1
Mortgage and other loans receivable	-	-	6	-	-	
Other invested assets	2	3,742	5,650	-	-	9
Derivative assets:						
Interest rate contracts	2	3,729	12	-	-	3
Foreign exchange contracts	-	839	1	-	-	
Equity contracts	98	58	51	-	-	
Commodity contracts	-	-	-	-	-	
Credit contracts	-	-	4	-	-	
Other contracts	-	-	31	-	-	
Counterparty netting and cash collateral	-	-	-	(2,102)	(1,119)	(3,
Total derivative assets	100	4,626	99	(2,102)	(1,119)	1

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Short-term investments	584	1,100	-	-	-	1,684
Separate account assets	73,939	6,097	-	-	-	80,036
Total	$ 81,232	$ 255,366	$ 44,362	$ (2,102)	$ (1,119)	$ 377,739
Liabilities:						
Policyholder contract deposits	$ -	$ 52	$ 1,509	$ -	$ -	$ 1,561
Other policyholder funds	-	8	-	-	-	8
Derivative liabilities:						
Interest rate contracts	-	3,047	86	-	-	3,133
Foreign exchange contracts	-	1,482	9	-	-	1,491
Equity contracts	-	98	4	-	-	102
Commodity contracts	-	6	-	-	-	6
Credit contracts	-	-	982	-	-	982
Other contracts	-	-	90	-	-	90
Counterparty netting and cash collateral	-	-	-	(2,102)	(1,429)	(3,531)
Total derivative liabilities	-	4,633	1,171	(2,102)	(1,429)	2,273
Long-term debt	-	5,253	213	-	-	5,466
Other liabilities	34	316	-	-	-	350
Total	$ 34	$ 10,262	$ 2,893	$ (2,102)	$ (1,429)	$ 9,658

* Represents netting of derivative exposures covered by a qualifying master netting agreement.

Transfers of Level 1 and Level 2 Assets and Liabilities

Our policy is to record transfers of assets and liabilities between Level 1 and Level 2 at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. Conversely, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market.

During the three-month periods ended March 31, 2015 and 2014, we transferred $72 million and $62 milion, respectively, of securities issued by Non-U.S. government entities from Level 1 to Level 2, as they are no longer considered actively traded. For similar reasons, during the three-month periods ended March 31, 2015 and 2014, we transferred $115 million and $103 million, respectively, of securities issued by the U.S. government and government sponsored entities from Level 1 to Level 2.

We had no material transfers from Level 2 to Level 1 during the three-month periods ended March 31, 2015 and 2014, respectively.

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Changes in Level 3 Recurring Fair Value Measurements

The following tables present changes during the three-month periods ended March 31, 2015 and 2014 in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets at March 31, 2015 and 2014:

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gro Transfe
Three Months Ended March 31, 2015					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions	$ 2,159	$ 1	$ 45	$ 65	$
Non-U.S. governments	30	-	-	4	
Corporate debt	1,883	-	17	(61)	4
RMBS	16,805	258	(72)	354	
CMBS	2,696	24	10	30	
CDO/ABS	6,110	33	29	402	
Total bonds available for sale	29,683	316	29	794	4
Other bond securities:					
Corporate debt	-	-	-	-	[illegible]
RMBS	1,105	(19)	-	204	2
CMBS	369	-	-	(100)	
CDO/ABS	7,449	132	-	(238)	58
Total other bond securities	8,923	113	-	(134)	62
Equity securities available for sale:					
Common stock	1	-	-	-	
Total equity securities available for sale	1	-	-	-	
Other equity securities	-	-	-	-	2
Mortgage and other loans receivable	6	-	-	-	
Other invested assets	5,650	446	(511)	(494)	

Total	$ 44,263	$ 875	$ (482)	$ 166	$ 6
Liabilities:					
Policyholder contract deposits	$ (1,509)	$ (275)	$ -	$ (51)	$
Derivative liabilities, net:					
Interest rate contracts	(74)	(4)	-	9	
Foreign exchange contracts	(8)	1	-	(1)	
Equity contracts	47	8	-	11	
Commodity contracts	-	-	-	-	
Credit contracts	(978)	147	-	40	
Other contracts	(59)	14	2	(16)	
Total derivative liabilities, net[(a)]	(1,072)	166	2	43	
Long-term debt[(b)]	(213)	15	-	12	
Total	$ (2,794)	$ (94)	$ 2	$ 4	$

(in millions)	Fair Value Beginning of Period	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Purchases, Sales, Issues and Settlements, Net	Gro Transfe
Three Months Ended March 31, 2014					
Assets:					
Bonds available for sale:					
Obligations of states, municipalities and political subdivisions[(c)]	$ 1,080	$ -	$ 117	$ 846	$
Non-U.S. governments	16	-	(1)	2	
Corporate debt	1,255	(3)	20	4	6
RMBS	14,941	244	133	557	
CMBS	5,735	6	111	(50)	
CDO/ABS	6,974	34	2	8	(
Total bonds available for sale	30,001	281	382	1,367	7

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Other bond securities:								
RMBS	937	28	-	104	-	-	1,069	16
CMBS	844	17	-	(91)	-	-	770	14
CDO/ABS	8,834	335	-	(451)	-	(220)	8,498	166
Total other bond securities	10,615	380	-	(438)	-	(220)	10,337	196
Equity securities available for sale:								
Common stock	1	-	-	-	-	(1)	-	-
Total equity securities available for sale	1	-	-	-	-	(1)	-	-
Other invested assets	5,930	79	54	49	85	(207)	5,990	-
Total	$ 46,547	$ 740	$ 436	$ 978	$ 799	$ (1,184)	$ 48,316	$ 196
Liabilities:								
Policyholder contract deposits	$ (312)	$ (474)	$ (8)	$ 29	$ -	$ -	$ (765)	$ (82)
Derivative liabilities, net:								
Interest rate contracts	(100)	(6)	-	8	-	-	(98)	(1)
Equity contracts	49	(3)	-	(5)	47	-	88	(6)
Commodity contracts	1	-	-	-	-	-	1	-
Credit contracts	(1,280)	80	-	15	-	-	(1,185)	94
Other contracts	(109)	16	(1)	(15)	-	-	(109)	12
Total derivative liabilities, net[(a)]	(1,439)	87	(1)	3	47	-	(1,303)	99
Long-term debt[(b)]	(370)	(3)	-	19	(70)	21	(403)	7
Total	$ (2,121)	$ (390)	$ (9)	$ 51	$ (23)	$ 21	$ (2,471)	$ 24

(a) Total Level 3 derivative exposures have been netted in these tables for presentation purposes only.

(b) Includes guaranteed investment agreements (GIAs), notes, bonds, loans and mortgages payable.

(c) Purchases, Sales, Issues and Settlements, Net primarily reflect the effect of consolidating previously unconsolidated securitization vehicles.

Net realized and unrealized gains and losses related to Level 3 items shown above are reported in the Condensed Consolidated Statements of Income as follows:

(in millions)	Net Investment Income	Net Realized Capital Gains (Losses)	Other Income	Total
Three Months Ended March 31, 2015				
Bonds available for sale	**$ 311**	**$ (9)**	**$ 14**	**$ 316**
Other bond securities	**18**	**6**	**89**	**113**

Other invested assets		**68**		**389**	**(11)**	**446**
Policyholder contract deposits		**-**		**(275)**	**-**	**(275)**
Derivative liabilities, net		**19**		**6**	**141**	**166**
Long-term debt		**-**		**-**	**15**	**15**
Three Months Ended March 31, 2014						
Bonds available for sale	$	304	$	(36)	$ 13	$ 281
Other bond securities		51		1	328	380
Other invested assets		77		(4)	6	79
Policyholder contract deposits		-		(474)	-	(474)
Derivative liabilities, net		15		(3)	75	87
Long-term debt		-		-	(3)	(3)

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The following tables present the gross components of purchases, sales, issues and settlements, net, shown above, for the three-month periods ended March 31, 2015 and 2014 related to Level 3 assets and liabilities in the Condensed Consolidated Balance Sheets:

(in millions)	Purchases	Sales	Settlements	Pur Sales, Issu Settlements
Three Months Ended March 31, 2015				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions	**$ 107**	**$ (22)**	**$ (20)**	**$**
Non-U.S. governments	**6**	**-**	**(2)**	
Corporate debt	**6**	**(50)**	**(17)**	
RMBS	**961**	**(22)**	**(585)**	
CMBS	**72**	**(27)**	**(15)**	
CDO/ABS	**579**	**(23)**	**(154)**	
Total bonds available for sale	**1,731**	**(144)**	**(793)**	
Other bond securities:				
RMBS	**245**	**(6)**	**(35)**	
CMBS	**-**	**(36)**	**(64)**	
CDO/ABS	**214**	**(40)**	**(412)**	
Total other bond securities	**459**	**(82)**	**(511)**	
Equity securities available for sale	**-**	**-**	**-**	
Other invested assets	**240**	**(586)**	**(148)**	
Total assets	**$ 2,430**	**$ (812)**	**$ (1,452)**	**$**
Liabilities:				
Policyholder contract deposits	**$ -**	**$ (73)**	**$ 22**	**$**
Derivative liabilities, net	**15**	**-**	**28**	
Long-term debt[(b)]	**-**	**-**	**12**	
Total liabilities	**$ 15**	**$ (73)**	**$ 62**	**$**
Three Months Ended March 31, 2014				
Assets:				
Bonds available for sale:				
Obligations of states, municipalities and political subdivisions[(c)]	$ 888	$ (5)	$ (37)	$
Non-U.S. governments	2	-	-	
Corporate debt	56	(7)	(45)	
RMBS	1,087	(15)	(515)	

CMBS		65	(57)		(58)	
CDO/ABS		330	-		(322)	
Total bonds available for sale		2,428	(84)		(977)	
Other bond securities:						
Corporate debt		-	-		-	
RMBS		141	(5)		(32)	
CMBS		-	(6)		(85)	
CDO/ABS		21	(7)		(465)	
Total other bond securities		162	(18)		(582)	
Equity securities available for sale		-	-		-	
Other invested assets		296	-		(247)	
Total assets	$	2,886	$ (102)	$	(1,806)	$
Liabilities:						
Policyholder contract deposits	$	-	$ (12)	$	41	$
Derivative liabilities, net		1	-		2	
Long-term debt[(b)]		-	-		19	
Total liabilities	$	1	$ (12)	$	62	$

(a) There were no issuances during the three-month periods ended March 31, 2015 and 2014, respectively.

(b) Includes GIAs, notes, bonds, loans and mortgages payable.

(c) Purchases primarily reflect the effect of consolidating previously unconsolidated securitization vehicles.

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Both observable and unobservable inputs may be used to determine the fair values of positions classified in Level 3 in the tables above. As a result, the unrealized gains (losses) on instruments held at March 31, 2015 and 2014 may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable inputs (e.g., changes in unobservable long-dated volatilities).

Transfers of Level 3 Assets and Liabilities

We record transfers of assets and liabilities into or out of Level 3 classification at their fair values as of the end of each reporting period, consistent with the date of the determination of fair value. As a result, the Net realized and unrealized gains (losses) included in income or other comprehensive income as shown in the table above excludes $18 million and $23 million of net gains related to assets and liabilities transferred into Level 3 during the three-month periods ended March 31, 2015 and 2014, respectively, and includes $3 million and $23 million of net gains related to assets and liabilities transferred out of Level 3 during the three-month periods ended March 31, 2015 and 2014, respectively.

Transfers of Level 3 Assets

During the three-month periods ended March 31, 2015 and 2014, transfers into Level 3 assets primarily included certain investments in CDO/ABS and private placement corporate debt. The transfers of investments in CDO/ABS into Level 3 assets were due to decreases in market transparency and liquidity for individual security types. Transfers of investments in private placement corporate debt into Level 3 assets were primarily the result of limited market pricing information that required us to determine fair value for these securities based on inputs that are adjusted to better reflect our own assumptions regarding the characteristics of a specific security or associated market liquidity.

During the three-month periods ended March 31, 2015 and 2014, transfers out of Level 3 assets primarily related to certain investments in corporate debt, RMBS, CDO/ABS, and investments in hedge funds. Transfers of certain investments in corporate debt, RMBS, and CDO/ABS out of Level 3 assets were based on consideration of market liquidity as well as related transparency of pricing and associated observable inputs for these investments. The transfers of certain hedge fund investments out of Level 3 assets were primarily the result of easing of certain fund-imposed redemption restrictions.

Transfers of Level 3 Liabilities

There were no significant transfers of derivative or other liabilities into or out of Level 3 for the three-month periods ended March 31, 2015 and 2014, respectively.

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Quantitative Information About Level 3 Fair Value Measurements

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments, and includes only those instruments for which information about the inputs is reasonably available to us, such as data from third party valuation service providers and from internal valuation models. Because input information from third parties with respect to certain Level 3 instruments (primarily CDO/ABS) may not be reasonably available to us, balances shown below may not equal total amounts reported for such Level 3 assets and liabilities**:**

(in millions)		Fair Value at March 31, 2015	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:					
Obligations of states, municipalities and political subdivisions	$	1,263	Discounted cash flow	Yield[(b)]	3.78% - 4.46% (4.12%)
Corporate debt		1,085	Discounted cash flow	Yield[(b)]	3.77% - 8.21% (5.99%)
RMBS		18,003	Discounted cash flow	Constant prepayment rate[(a)(c)]	0.76% - 9.06% (4.91%)
				Loss severity[(a)(c)]	46.57% - 80.00% (63.29%)
				Constant default rate[(a)(c)]	3.56% - 9.28% (6.42%)
				Yield[(c)]	2.79% - 6.29% (4.54%)
Certain CDO/ABS		5,259	Discounted cash flow	Constant prepayment rate[(a)(c)]	6.30% - 12.00% (8.70%)
				Loss severity[(a)(c)]	43.90% - 58.50% (51.40%)

			Constant default rate[a][c]	2.50% - 14.30% (7.70%)
			Yield[c]	4.60% - 8.70% (6.90%)
CMBS	**2,583**	Discounted cash flow	Yield[b]	0.00% - 17.56% (5.88%)
CDO/ABS - DIB	**310**	Binomial Expansion Technique (BET)	Recovery rate[b]	5.00% - 33.00% (21.00%)
			Diversity score[b]	3 - 26 (12)
			Weighted average life[b]	0.27 - 10.40 years (4.97 years)
Liabilities:				
Policyholder contract deposits				
GMWB	**1,121**	Discounted cash flow	Equity implied volatility[b]	6.00% - 39.00%[d]
			Base lapse rate[b]	1.00% - 40.00%[d]
			Dynamic lapse rate[b]	0.20% - 60.00%[d]
			Mortality rate[b]	0.10% - 35.00%[d]
			Utilization rate[b]	0.50% - 30.00%[d]
Index Annuities	**361**	Discounted cash flow	Lapse rates	0.75% - 66.00%[d]
			Mortality rates	0.02% - 44.06%[d]

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Index Life	**291**	Discounted cash flow	Equity implied volatility	10.00% to 25.00%[d]
			Base lapse rate	2.00% to 19.00%[d]
			Mortality rates	0.00% to 20.00%[d]
Total derivative liabilities, net	**554**	BET	Recovery rate[b]	8.00% - 23.00% (11.00%)
			Diversity score[b]	9 - 22 (14)
			Weighted average life[b]	3.09 - 10.40 years (7.12 years)

(in millions)	Fair Value at December 31, 2014	Valuation Technique	Unobservable Input	Range (Weighted Average)
Assets:				
Obligations of states, municipalities and political subdivisions	$ 1,178	Discounted cash flow	Yield[b]	3.9% - 4.62% (4.26%)
Corporate debt	1,145	Discounted cash flow	Yield[b]	3.46% - 8.75% (6.10%)
RMBS	17,353	Discounted cash flow	Constant prepayment rate[a][c]	0.59% - 9.35% (4.97%)
			Loss severity[a][c]	46.04% - 79.56% (62.80%)
			Constant default rate[a][c]	3.67% - 9.96% (6.82%)
			Yield[c]	

				2.67% - 6.64% (4.65%)
Certain CDO/ABS	5,282	Discounted cash flow	Constant prepayment rate(a)(c)	6.40% - 12.80% (9.20%)
			Loss severity(a)(c)	42.90% - 60.30% (51.90%)
			Constant default rate(a)(c)	2.50% - 14.70% (7.80%)
			Yield(c)	4.70% - 9.70% (7.10%)
CMBS	2,687	Discounted cash flow	Yield(b)	0.00% - 17.29% (6.06%)
CDO/ABS - DIB	279	Binomial Expansion Technique (BET)	Recovery rate(b)	7.00% - 36.00% (21.00%)
			Diversity score(b)	5 - 27 (12)
			Weighted average life(b)	0.25 - 10.49 years (3.93 years)
Liabilities:				
Policyholder contract deposits				
GMWB	890	Discounted cash flow	Equity implied volatility(b)	6.00% - 39.00%(d)
			Base lapse rate(b)	1.00% - 40.00%(d)
			Dynamic lapse rate(b)	0.20% - 60.00%(d)
			Mortality rate(b)	0.10% - 35.00%(d)
			Utilization rate(b)	0.50% - 30.00%(d)
Index Annuities	294	Discounted cash flow	Lapse rates	0.75% - 66%(d)
			Mortality rates	0.02% - 44.06%(d)

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Index Life	259	Discounted cash flow	Equity implied volatility	10.00% to 25.00%[d]
			Base lapse rate	2.00% to 19.00%[d]
			Mortality rate	0.00% to 20.00%[d]
Total derivative liabilities, net	791	BET	Recovery rate[b]	5.00% - 23.00% (13.00%)
			Diversity score[b]	8 - 25 (13)
			Weighted average life[b]	2.67 - 10.49 years (4.65 years)

(a) The unobservable inputs and ranges for the constant prepayment rate, loss severity and constant default rate relate to each of the individual underlying mortgage loans that comprise the entire portfolio of securities in the RMBS and CDO securitization vehicles and not necessarily to the securitization vehicle bonds (tranches) purchased by us. The ranges of these inputs do not directly correlate to changes in the fair values of the tranches purchased by us because there are other factors relevant to the fair values of specific tranches owned by us including, but not limited to, purchase price, position in the waterfall, senior versus subordinated position and attachment points.

(b) Represents discount rates, estimates and assumptions that we believe would be used by market participants when valuing these assets and liabilities.

(c) Information received from independent third-party valuation service providers.

(d) Represents actual maximum and minimum, not weighted average rates.

The ranges of reported inputs for Corporate debt, RMBS, CDO/ABS, and CMBS valued using a discounted cash flow technique consist of plus/minus one standard deviation in either direction from the value weighted average. The preceding table does not give effect to our risk management practices that might offset risks inherent in these investments.

Sensitivity to Changes in Unobservable Inputs

We consider unobservable inputs to be those for which market data is not available and that are developed using the best information available to us about the assumptions that market participants would use when pricing the asset or liability. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The following is a general description of sensitivities of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently of changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply.

Obligations of States, Municipalities and Political Subdivisions

The significant unobservable input used in fair value measurement of certain investments in obligations of states, municipalities and political subdivisions is yield. In general, increases in the yield would decrease the fair value of investments in obligations of states, municipalities and political subdivisions.

Corporate Debt

Corporate debt securities included in Level 3 are primarily private placement issuances that are not traded in active markets or that are subject to transfer restrictions. Fair value measurements consider illiquidity and non transferability. When observable price quotations are not available, fair value is determined based on discounted cash flow models using discount rates based on credit spreads, yields or price levels of publicly traded debt of the issuer or other comparable securities, considering illiquidity and structure. The significant unobservable input used in the fair value measurement of corporate debt is the yield. The yield is affected by the market movements in credit spreads and U.S. Treasury yields. In addition, the migration in credit quality of a given security generally has a corresponding effect on the fair value measurement of the security. For example, a

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downward migration of credit quality would increase spreads. Holding U.S. Treasury rates constant, an increase in corporate credit spreads would decrease the fair value of corporate debt.

RMBS and Certain CDO/ABS

The significant unobservable inputs used in fair value measurements of RMBS and certain CDO/ABS valued by third party valuation service providers are constant prepayment rates (CPR), loss severity, constant default rates (CDR), and yield. A change in the assumptions used for the probability of default will generally be accompanied by a corresponding change in the assumption used for the loss severity and an inverse change in the assumption used for prepayment rates. In general, increases in CPR, loss severity, CDR, and yield, in isolation, would result in a decrease in the fair value measurement. Changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship between the directional change of each input is not usually linear.

CMBS

The significant unobservable input used in fair value measurements for CMBS is the yield. Prepayment assumptions for each mortgage pool are factored into the yield. CMBS generally feature a lower degree of prepayment risk than RMBS because commercial mortgages generally contain a penalty for prepayment. In general, increases in the yield would decrease the fair value of CMBS.

CDO/ABS – DIB

The significant unobservable inputs used for certain CDO/ABS securities valued using the BET are recovery rates, diversity score, and the weighted average life of the portfolio. An increase in recovery rates and diversity score will increase the fair value of the portfolio. An increase in the weighted average life will decrease the fair value.

Policyholder contract deposits

Embedded derivatives within Policyholder contract deposits relate to guaranteed minimum withdrawal benefits (GMWB) within variable annuity products and certain enhancements to interest crediting rates based on market indices within equity indexed annuities and guaranteed investment contracts (GICs). GMWB represents our largest exposure of these embedded derivatives, although the carrying value of the liability fluctuates based on the performance of the equity markets and therefore, at a point in time, can be low relative to the exposure. The principal unobservable input used for GMWBs and embedded derivatives in equity indexed annuities measured at fair value is equity implied volatility. For GMWBs, other significant unobservable inputs include base and dynamic lapse rates, mortality rates, and utilization rates. Lapse, mortality, and utilization rates may vary significantly depending upon age groups and duration. In general, increases in volatility and utilization rates will increase the fair value of the liability associated with GMWB, while increases in lapse rates and mortality rates will decrease the fair value of the liability.

Derivative liabilities – credit contracts

The significant unobservable inputs used for Derivative liabilities – credit contracts are recovery rates, diversity scores, and the weighted average life of the portfolio. AIG non performance risk is also considered in the measurement of the liability.

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An increase in recovery rates and diversity score will decrease the fair value of the liability. An increase in the weighted average life will increase the fair value measurement of the liability.

Investments in Certain Entities Carried at Fair Value Using Net Asset Value Per Share

The following table includes information related to our investments in certain other invested assets, including private equity funds and hedge funds that calculate net asset value per share (or its equivalent). For these investments, which are measured at fair value on a recurring basis, we use the net asset value per share as a practical expedient to measure fair value**.**

		March 31, 2015		December 31, 2014	
(in millions)	Investment Category Includes	Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments	Fair Value Using Net Asset Value Per Share (or its equivalent)	Unfunded Commitments
Investment Category					
Private equity funds:					
Leveraged buyout	Debt and/or equity investments made as part of a transaction in which assets of mature companies are acquired from the current shareholders, typically with the use of financial leverage	**$ 2,123**	**$ 461**	$ 2,275	$ 450
Real Estate / Infrastructure	Investments in real estate properties and infrastructure positions, including power plants and other energy generating facilities	**370**	**205**	384	227
Venture capital	Early-stage, high-potential, growth companies expected	**133**	**30**	121	26

	to generate a return through an eventual realization event, such as an initial public offering or sale of the company				
Distressed	Securities of companies that are in default, under bankruptcy protection, or troubled	**161**	**43**	164	43
Other	Includes multi-strategy, mezzanine and other strategies	**248**	**209**	216	234
Total private equity funds		**3,035**	**948**	3,160	980
Hedge funds:					
Event-driven	Securities of companies undergoing material structural changes, including mergers, acquisitions and other reorganizations	**1,182**	**-**	1,109	-
Long-short	Securities that the manager believes are undervalued, with corresponding short positions to hedge market risk	**2,750**	**1**	2,428	1
Macro	Investments that take long and short positions in financial instruments based on a top-down view of certain economic and capital market conditions	**531**	**-**	498	-
Distressed	Securities of companies that are in default, under bankruptcy protection or troubled	**736**	**23**	731	5
Emerging markets	Investments in the financial markets of developing countries	**339**	**-**	308	-
Other	Includes multi-strategy, relative value and other strategies	**173**	**-**	125	-
Total hedge funds		**5,711**	**24**	5,199	6
Total		**$ 8,746**	**$ 972**	$ 8,359	$ 986

Private equity fund investments included above are not redeemable, as distributions from the funds will be received when underlying investments of the funds are liquidated. Private equity funds are generally expected to have 10 year lives at their inception, but these lives may be extended at the fund manager's discretion, typically in one- or two year increments. At March 31, 2015, assuming average original expected lives of 10 years for the funds, 85 percent of the total fair value using net asset

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value per share (or its equivalent) presented above would have expected remaining lives of three years or less, 5 percent between four and six years and 10 percent between seven and 10 years.

The hedge fund investments included above are generally redeemable monthly (14 percent), quarterly (48 percent), semi annually (15 percent) and annually (23 percent), with redemption notices ranging from one day to 180 days. At March 31, 2015, however, investments representing approximately 44 percent of the total fair value of the hedge fund investments cannot be redeemed, either in whole or in part, because the investments include various contractual restrictions. The majority of these contractual restrictions, which may have been put in place at the fund's inception or thereafter, have pre defined end dates and are generally expected to be lifted by the end of 2016. The fund investments for which redemption is restricted only in part generally relate to certain hedge funds that hold at least one investment that the fund manager deems to be illiquid.

Fair Value Option

The following table presents the gains and losses recorded related to the eligible instruments for which we elected the fair value option:

Three Months Ended March 31,	Gain (Loss)	
(in millions)	**2015**	2014
Assets:		
Mortgage and other loans receivable	**$ -**	$ -
Bond and equity securities	**141**	666
Alternative investments[(a)]	**145**	154
Other, including Short-term investments	**2**	3
Liabilities:		
Long-term debt[(b)]	**(76)**	(74)
Other liabilities	**(3)**	(4)
Total gain	**$ 209**	$ 745

(a) Includes hedge funds, private equity funds and other investment partnerships.

(b) Includes GIAs, notes, bonds, loans and mortgages payable.

We recognized gains of $6 million and losses of $11 million during the three-month periods ended March 31, 2015 and 2014, respectively, attributable to the observable effect of changes in credit spreads on our own liabilities for which the fair value option was elected. We calculate the effect of these credit spread changes using discounted cash flow techniques that incorporate current market interest rates, our observable credit spreads on these liabilities and other factors that mitigate the risk of nonperformance such as cash collateral posted.

The following table presents the difference between fair values and the aggregate contractual principal amounts of mortgage and other loans receivable and long-term debt for which the fair value option was elected:

	March 31, 2015			December 31, 2014		
(in millions)	Fair Value	Outstanding Principal Amount	Difference	Fair Value	Outstanding Principal Amount	Difference
Assets:						
Mortgage and other loans receivable	**$ 6**	**$ 4**	**$ 2**	$ 6	$ 4	$ 2
Liabilities:						
Long-term debt*	**$ 4,844**	**$ 3,541**	**$ 1,303**	$ 5,466	$ 4,101	$ 1,365

* Includes GIAs, notes, bonds, loans and mortgages payable.

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Fair Value Measurements on a Non-Recurring Basis

The following table presents assets measured at fair value on a non-recurring basis at the time of impairment and the related impairment charges recorded during the periods presented:

	Assets at Fair Value Non-Recurring Basis				Impairment Charges Three Months Ended March 31,	
(in millions)	Level 1	Level 2	Level 3	Total	**2015**	2014
March 31, 2015						
Other investments	**$ -**	**$ -**	**$ 1,058**	**$ 1,058**	**$ 25**	$ 49
Investments in life settlements	**-**	**-**	**308**	**308**	**70**	42
Other assets	**-**	**-**	**9**	**9**	**4**	1
Total	**$ -**	**$ -**	**$ 1,375**	**$ 1,375**	**$ 99**	$ 92
December 31, 2014						
Other investments	$ -	$ -	$ 790	$ 790		
Investments in life settlements	-	-	537	537		
Other assets	-	-	1	1		
Total	$ -	$ -	$ 1,328	$ 1,328		

Fair Value Information About Financial Instruments Not Measured at Fair Value

The following table presents the carrying value and estimated fair value of our financial instruments not measured at fair value and indicates the level in the fair value hierarchy of the estimated fair value measurement based on the observability of the inputs used:

	Estimated Fair Value				Carrying
(in millions)	Level 1	Level 2	Level 3	Total	Value
March 31, 2015					
Assets:					
Mortgage and other loans receivable	**$ -**	**$ 424**	**$ 26,730**	**$ 27,154**	**$ 25,307**
Other invested assets	**-**	**549**	**2,912**	**3,461**	**4,324**
Short-term investments	**-**	**10,753**	**-**	**10,753**	**10,753**
Cash	**1,823**	**-**	**-**	**1,823**	**1,823**
Liabilities:					

Policyholder contract deposits associated with investment-type contracts	**-**	**253**	**120,740**	**120,993**	**106,646**
Other liabilities	**-**	**1,300**	**-**	**1,300**	**1,300**
Long-term debt	**-**	**25,928**	**3,807**	**29,735**	**27,155**
December 31, 2014					
Assets:					
Mortgage and other loans receivable	$ -	$ 449	$ 26,157	$ 26,606	$ 24,984
Other invested assets	-	593	2,882	3,475	4,352
Short-term investments	-	9,559	-	9,559	9,559
Cash	1,758	-	-	1,758	1,758
Liabilities:					
Policyholder contract deposits associated with investment-type contracts	-	244	119,268	119,512	106,395
Other liabilities	-	1,120	-	1,120	1,120
Long-term debt	-	24,749	2,932	27,681	25,751

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Securities Available for Sale

The following table presents the amortized cost or cost and fair value of our available for sale securities:

(in millions)	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Othe Te Impa in
March 31, 2015					
Bonds available for sale:					
U.S. government and government sponsored entities	**$ 2,557**	**$ 222**	**$ (5)**	**$ 2,774**	**$**
Obligations of states, municipalities and political subdivisions	**26,088**	**1,783**	**(36)**	**27,835**	
Non-U.S. governments	**18,857**	**1,149**	**(117)**	**19,889**	
Corporate debt	**133,066**	**11,923**	**(847)**	**144,142**	
Mortgage-backed, asset-backed and collateralized:					
RMBS	**34,551**	**3,466**	**(285)**	**37,732**	
CMBS	**12,503**	**971**	**(31)**	**13,443**	
CDO/ABS	**14,492**	**665**	**(150)**	**15,007**	
Total mortgage-backed, asset-backed and collateralized	**61,546**	**5,102**	**(466)**	**66,182**	
Total bonds available for sale[(b)]	**242,114**	**20,179**	**(1,471)**	**260,822**	
Equity securities available for sale:					
Common stock	**1,000**	**2,071**	**(11)**	**3,060**	
Preferred stock	**21**	**4**	**-**	**25**	
Mutual funds	**662**	**63**	**(44)**	**681**	
Total equity securities available for sale	**1,683**	**2,138**	**(55)**	**3,766**	
Total	**$ 243,797**	**$ 22,317**	**$ (1,526)**	**$ 264,588**	**$**
December 31, 2014					
Bonds available for sale:					
U.S. government and government sponsored entities	$ 2,806	$ 204	$ (18)	$ 2,992	$
Obligations of states, municipalities and political subdivisions	25,979	1,729	(49)	27,659	
Non-U.S. governments	20,280	966	(151)	21,095	

Corporate debt		134,961		10,594		(1,122)		144,433
Mortgage-backed, asset-backed and collateralized:								
RMBS		34,377		3,435		(292)		37,520
CMBS		12,129		815		(59)		12,885
CDO/ABS		12,775		628		(128)		13,275
Total mortgage-backed, asset-backed and collateralized		59,281		4,878		(479)		63,680
Total bonds available for sale[b]		243,307		18,371		(1,819)		259,859
Equity securities available for sale:								
Common stock		1,185		2,461		(17)		3,629
Preferred stock		21		4		-		25
Mutual funds		724		54		(37)		741
Total equity securities available for sale		1,930		2,519		(54)		4,395
Total	$	245,237	$	20,890	$	(1,873)	$	264,254	$

(a) Represents the amount of other-than-temporary impairments recognized in Accumulated other comprehensive income. Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

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(b) At March 31, 2015 and December 31, 2014, bonds available for sale held by us that were below investment grade or not rated totaled $36.1 billion and $35.1 billion, respectively.

Securities Available for Sale in a Loss Position

The following table summarizes the fair value and gross unrealized losses on our available for sale securities, aggregated by major investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gr Unreali Los
March 31, 2015						
Bonds available for sale:						
U.S. government and government sponsored entities	**$ 120**	**$ 1**	**$ 141**	**$ 4**	**$ 261**	**$**
Obligations of states, municipalities and political subdivisions	**1,130**	**14**	**460**	**22**	**1,590**	
Non-U.S. governments	**1,605**	**47**	**884**	**70**	**2,489**	
Corporate debt	**12,048**	**449**	**4,563**	**398**	**16,611**	
RMBS	**5,540**	**125**	**2,953**	**160**	**8,493**	
CMBS	**453**	**3**	**603**	**28**	**1,056**	
CDO/ABS	**3,193**	**56**	**1,812**	**94**	**5,005**	
Total bonds available for sale	**24,089**	**695**	**11,416**	**776**	**35,505**	**1,**
Equity securities available for sale:						
Common stock	**58**	**11**	**-**	**-**	**58**	
Mutual funds	**275**	**44**	**-**	**-**	**275**	
Total equity securities available for sale	**333**	**55**	**-**	**-**	**333**	
Total	**$24,422**	**$ 750**	**$11,416**	**$ 776**	**$35,838**	**$ 1,**
December 31, 2014						
Bonds available for sale:						
U.S. government and government sponsored entities	$ 526	$ 5	$ 281	$ 13	$ 807	$
Obligations of states, municipalities and political subdivisions	495	9	794	40	1,289	
Non-U.S. governments	1,606	42	1,690	109	3,296	
Corporate debt	12,132	450	11,570	672	23,702	1,

RMBS	4,621	109	3,996	183	8,617	
CMBS	220	1	2,087	58	2,307	
CDO/ABS	3,857	50	1,860	78	5,717	
Total bonds available for sale	23,457	666	22,278	1,153	45,735	1,
Equity securities available for sale:						
Common stock	88	16	2	1	90	
Mutual funds	280	37	64	-	344	
Total equity securities available for sale	368	53	66	1	434	
Total	$23,825	$ 719	$22,344	$ 1,154	$46,169	$ 1,

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At March 31, 2015, we held 4,983 and 112 individual fixed maturity and equity securities, respectively, that were in an unrealized loss position, of which 1,351 individual fixed maturity securities were in a continuous unrealized loss position for longer than 12 months. We did not recognize the unrealized losses in earnings on these fixed maturity securities at March 31, 2015 because we neither intend to sell the securities nor do we believe that it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. For fixed maturity securities with significant declines, we performed fundamental credit analyses on a security-by-security basis, which included consideration of credit enhancements, expected defaults on underlying collateral, review of relevant industry analyst reports and forecasts and other available market data.

Contractual Maturities of Fixed Maturity Securities Available for Sale

The following table presents the amortized cost and fair value of fixed maturity securities available for sale by contractual maturity:

	Total Fixed Maturity Securities Available for Sale		Fixed Maturity Securities in a Loss Position Available for Sale	
March 31, 2015				
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 10,434	$ 10,590	$ 655	$ 632
Due after one year through five years	48,034	50,920	4,452	4,314
Due after five years through ten years	59,209	62,855	8,569	8,170
Due after ten years	62,891	70,275	8,280	7,835
Mortgage-backed, asset-backed and collateralized	61,546	66,182	15,020	14,554
Total	$ 242,114	$ 260,822	$ 36,976	$ 35,505
December 31, 2014				
Due in one year or less	$ 9,821	$ 9,975	$ 637	$ 620
Due after one year through five years	48,352	50,873	6,669	6,529
Due after five years through ten years	62,685	65,889	12,873	12,338
Due after ten years	63,168	69,442	10,255	9,607
Mortgage-backed, asset-backed and collateralized	59,281	63,680	17,120	16,641
Total	$ 243,307	$ 259,859	$ 47,554	$ 45,735

Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

The following table presents the gross realized gains and gross realized losses from sales or maturities of our available for sale securities:

Three Months Ended March 31,	2015		2014	
(in millions)	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
Fixed maturity securities	**$ 149**	**$ 118**	$ 216	$ 31
Equity securities	**496**	**5**	30	2
Total	**$ 645**	**$ 123**	$ 246	$ 33

For the three-month periods ended March 31, 2015 and 2014, respectively, the aggregate fair value of available for sale securities sold was $6.9 billion and $6.1 billion, respectively, which resulted in net realized capital gains of $0.5 billion and $0.2 billion, respectively.

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Other Securities Measured at Fair Value

The following table presents the fair value of other securities measured at fair value based on our election of the fair value option:

	March 31, 2015		December 31, 2014	
(in millions)	Fair Value	Percent of Total	Fair Value	Percent of Total
Fixed maturity securities:				
U.S. government and government sponsored entities	**$ 5,483**	**27 %**	$ 5,498	27%
Obligations of states, municipalities and political subdivisions	**76**	**-**	122	1
Non-U.S. governments	**2**	**-**	2	-
Corporate debt	**567**	**3**	719	3
Mortgage-backed, asset-backed and collateralized:				
RMBS	**2,176**	**11**	2,094	10
CMBS	**945**	**5**	1,077	5
CDO/ABS and other collateralized*	**9,764**	**49**	10,200	49
Total mortgage-backed, asset-backed and collateralized	**12,885**	**65**	13,371	64
Total fixed maturity securities	**19,013**	**95**	19,712	95
Equity securities	**1,100**	**5**	1,049	5
Total	**$ 20,113**	**100 %**	$ 20,761	100%

* Includes $825 million and $859 million of U.S. Government agency backed ABS at March 31, 2015 and December 31, 2014, respectively.

Net Investment Income

The following table presents the components of Net investment income:

Three Months Ended March 31,		
(in millions)	**2015**	2014
Fixed maturity securities, including short-term investments	**$ 2,883**	$ 3,131
Equity securities	**15**	(85)
Interest on mortgage and other loans	**339**	318

Alternative investments*	**689**	925
Real estate	**26**	28
Other investments	**38**	11
Total investment income	**3,990**	4,328
Investment expenses	**152**	132
Net investment income	**$ 3,838**	$ 4,196

* Includes hedge funds, private equity funds, affordable housing partnerships, investments in life settlements and other investment partnerships.

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Net Realized Capital Gains and Losses

The following table presents the components of Net realized capital gains (losses):

Three Months Ended March 31,		
(in millions)	**2015**	2014
Sales of fixed maturity securities	**$ 31**	$ 185
Sales of equity securities	**491**	28
Other-than-temporary impairments:		
Severity	**(2)**	-
Change in intent	**(24)**	(5)
Foreign currency declines	**(29)**	(4)
Issuer-specific credit events	**(68)**	(49)
Adverse projected cash flows	**(5)**	(1)
Provision for loan losses	**24**	5
Foreign exchange transactions	**254**	26
Derivative instruments	**208**	(289)
Impairments on investments in life settlements	**(70)**	(42)
Other*	**531**	(6)
Net realized capital gains (losses)	**$ 1,341**	$ (152)

* Includes realized gains due to the sale of Class B shares of Prudential Financial, Inc.

Change in Unrealized Appreciation (Depreciation) of Investments

The following table presents the increase (decrease) in unrealized appreciation (depreciation) of our available for sale securities and other investments:

Three Months Ended March 31,		
(in millions)	**2015**	2014
Increase (decrease) in unrealized appreciation (depreciation) of investments:		
Fixed maturity securities	**$ 2,156**	$ 3,994
Equity securities	**(382)**	(128)
Other investments	**(503)**	73

Total increase (decrease) in unrealized appreciation (depreciation) of investments*	**$ 1,271**	$ 3,939

* Excludes net unrealized gains attributable to businesses held for sale.

Evaluating Investments for Other-Than-Temporary Impairments

For a discussion of our policy for evaluating investments for other-than-temporary impairments, see Note 6 to the Consolidated Financial Statements in the 2014 Annual Report.

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Credit Impairments

The following table presents a rollforward of the cumulative credit losses in other-than-temporary impairments recognized in earnings for available for sale fixed maturity securities:

Three Months Ended March 31, *(in millions)*	**2015**	2014
Balance, beginning of year	**$ 2,659**	$ 3,872
Increases due to:		
Credit impairments on new securities subject to impairment losses	**15**	8
Additional credit impairments on previously impaired securities	**22**	36
Reductions due to:		
Credit impaired securities fully disposed for which there was no prior intent or requirement to sell	**(42)**	(330)
Accretion on securities previously impaired due to credit*	**(188)**	(188)
Other	**-**	(9)
Balance, end of period	**$ 2,466**	$ 3,389

* Represents both accretion recognized due to changes in cash flows expected to be collected over the remaining expected term of the credit impaired securities and the accretion due to the passage of time.

Purchased Credit Impaired (PCI) Securities

We purchase certain RMBS securities that have experienced deterioration in credit quality since their issuance. We determine, based on our expectations as to the timing and amount of cash flows expected to be received, whether it is probable at acquisition that we will not collect all contractually required payments for these PCI securities, including both principal and interest after considering the effects of prepayments. At acquisition, the timing and amount of the undiscounted future cash flows expected to be received on each PCI security is determined based on our best estimate using key assumptions, such as interest rates, default rates and prepayment speeds. At acquisition, the difference between the undiscounted expected future cash flows of the PCI securities and the recorded investment in the securities represents the initial accretable yield, which is accreted into Net investment income over their remaining lives on a level yield basis. Additionally, the difference between the contractually required payments on the PCI securities and the undiscounted expected future cash flows represents the non accretable difference at acquisition. The accretable yield and the non accretable difference will change over time, based on actual payments received and changes in estimates of undiscounted expected future cash flows, which are discussed further below.

On a quarterly basis, the undiscounted expected future cash flows associated with PCI securities are re evaluated based on updates to key assumptions. Declines in undiscounted expected future cash flows due to further credit deterioration as well as changes in the expected timing of the cash flows can result in the recognition of an other than temporary impairment charge, as PCI securities are subject to our policy for evaluating investments for other than temporary impairment. Changes to undiscounted expected future cash flows due solely to the changes in the contractual benchmark interest rates on variable rate PCI securities will change the accretable yield prospectively. Significant increases in undiscounted expected future cash flows for reasons other than interest rate changes are recognized prospectively as adjustments to the accretable yield.

The following tables present information on our PCI securities, which are included in bonds available for sale:

(in millions)	At Date of Acquisition	
Contractually required payments (principal and interest)	$	31,562
Cash flows expected to be collected*		25,480
Recorded investment in acquired securities		16,986

* Represents undiscounted expected cash flows, including both principal and interest.

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(in millions)	**March 31, 2015**	December 31, 2014
Outstanding principal balance	**$ 17,362**	$ 16,962
Amortized cost	**12,601**	12,216
Fair value	**13,788**	13,462

The following table presents activity for the accretable yield on PCI securities:

Three Months Ended March 31, *(in millions)*	**2015**	2014
Balance, beginning of period	**$ 6,865**	$ 6,940
Newly purchased PCI securities	**245**	522
Disposals	**-**	-
Accretion	**(220)**	(212)
Effect of changes in interest rate indices	**(138)**	(59)
Net reclassification to/(from) non-accretable difference, including effects of prepayments	**13**	(21)
Balance, end of period	**$ 6,765**	$ 7,170

Pledged Investments

Secured Financing and Similar Arrangements

We enter into secured financing transactions whereby certain securities are sold under agreements to repurchase (repurchase agreements), in which we transfer securities in exchange for cash, with an agreement by us to repurchase the same or substantially similar securities. In the majority of these repurchase agreements, the securities transferred by us may be sold or repledged by the counterparties. Repurchase agreements entered into by the Direct Investment book (DIB) are carried at fair value based on market-observable interest rates. All other repurchase agreements are recorded at their contracted repurchase amounts plus accrued interest.

The following table presents the fair value of securities pledged to counterparties under secured financing transactions:

(in millions)	**March 31, 2015**	December 31, 2014

Other bond securities	**1,180**	2,122

We also enter into agreements in which securities are purchased by us under agreements to resell (reverse repurchase agreements), which are accounted for as secured financing transactions and reported as short-term investments or other assets, depending on their terms. These agreements are recorded at their contracted resale amounts plus accrued interest, other than those that are accounted for at fair value. Such agreements entered into by the DIB are carried at fair value based on market observable interest rates. In all reverse repurchase transactions, we take possession of or obtain a security interest in the related securities, and we have the right to sell or repledge this collateral received.

The following table presents information on the fair value of securities pledged to us under reverse repurchase agreements:

(in millions)	**March 31, 2015**	December 31, 2014
Securities collateral pledged to us	**$ 4,340**	$ 2,506
Amount sold or repledged by us	**132**	131

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Insurance - Statutory and Other Deposits

Total carrying values of cash and securities deposited by our insurance subsidiaries under requirements of regulatory authorities or other insurance-related arrangements, including certain annuity-related obligations and certain reinsurance treaties, were $6.5 billion and $5.9 billion at March 31, 2015 and December 31, 2014, respectively.

Other Pledges

Certain of our subsidiaries are members of Federal Home Loan Banks (FHLBs) and such membership requires the members to own stock in these FHLBs. We owned an aggregate of $41 million and $44 million of stock in FHLBs at March 31, 2015 and December 31, 2014, respectively. In addition, our subsidiaries have pledged securities available for sale with a fair value of $1.2 billion and $0.5 billion at March 31, 2015 and December 31, 2014, respectively, associated with advances from the FHLBs.

Certain GIAs have provisions that require collateral to be posted or payments to be made by us upon a downgrade of our long-term debt ratings. The actual amount of collateral required to be posted to the counterparties in the event of such downgrades, and the aggregate amount of payments that we could be required to make, depend on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade. The fair value of securities pledged as collateral with respect to these obligations was approximately $3.1 billion and $3.5 billion at March 31, 2015 and December 31, 2014, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

7. LENDING ACTIVITIES

The following table presents the composition of Mortgage and other loans receivable, net:

(in millions)	**March 31, 2015**	December 31, 2014
Commercial mortgages*	**$ 19,172**	$ 18,909
Life insurance policy loans	**2,665**	2,710
Commercial loans, other loans and notes receivable	**3,726**	3,642

Total mortgage and other loans receivable	**25,563**	25,261
Allowance for losses	**(250)**	(271)
Mortgage and other loans receivable, net	**$ 25,313**	$ 24,990

* Commercial mortgages primarily represent loans for office, retail, apartment and industrial properties, with exposures in California and New York representing the largest geographic concentrations (aggregating approximately 14 percent and 18 percent, respectively, at both March 31, 2015 and December 31, 2014).

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Item 1 / NOTE 7. LENDING ACTIVITIES

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The following table presents the credit quality indicators for commercial mortgages:

	Number of			Class					Percent of
(dollars in millions)	Loans	Apartments	Offices	Retail	Industrial	Hotel	Others	Total[c]	Total $
March 31, 2015									
Credit Quality Indicator:									
In good standing	**983**	**$ 3,383**	**$ 6,449**	**$ 4,073**	**$ 2,020**	**$ 1,713**	**$ 1,080**	**$ 18,718**	**98%**
Restructured[a]	**8**	**-**	**408**	**6**	**-**	**16**	**-**	**430**	**2**
90 days or less delinquent	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
>90 days delinquent or in process of foreclosure	**5**	**-**	**14**	**10**	**-**	**-**	**-**	**24**	**-**
Total[b]	**997**	**$ 3,383**	**$ 6,871**	**$ 4,089**	**$ 2,020**	**$ 1,729**	**$ 1,080**	**$ 19,172**	**100%**
Valuation allowance		**$ 1**	**$ 74**	**$ 29**	**$ 23**	**$ 6**	**$ 10**	**$ 143**	**1%**
December 31, 2014									
Credit Quality Indicator:									
In good standing	1,007	$ 3,384	$ 6,100	$ 3,807	$ 1,689	$ 1,660	$ 1,812	$ 18,452	98%
Restructured[a]	7	-	343	7	-	17	-	367	2
90 days or less delinquent	6	-	-	10	-	-	5	15	-
>90 days delinquent or in process of foreclosure	4	-	75	-	-	-	-	75	-
Total[b]	1,024	$ 3,384	$ 6,518	$ 3,824	$ 1,689	$ 1,677	$ 1,817	$ 18,909	100%
Allowance for losses		$ 3	$ 86	$ 28	$ 22	$ 6	$ 14	$ 159	1%

(a) Loans that have been modified in troubled debt restructurings and are performing according to their restructured terms. For additional discussion of troubled debt restructurings see Note 7 to the Consolidated Financial Statements in the 2014 Annual Report.

(b) Does not reflect valuation allowances.

(c) Over 99 percent of the commercial mortgages held at such respective dates were current as to payments of principal and interest.

Allowance for Loan Losses

See Note 7 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of our accounting policy for evaluating mortgage and other loans receivable for impairment.

The following table presents a rollforward of the changes in the allowance for losses on Mortgage and other loans receivable:

	2015			2014		
Three Months Ended March 31,	Commercial	Other		Commercial	Other	
(in millions)	Mortgages	Loans	Total	Mortgages	Loans	Total
Allowance, beginning of year	**$ 159**	**$ 112**	**$ 271**	$ 201	$ 111	$ 312
Loans charged off	**-**	**(1)**	**(1)**	-	-	-
Recoveries of loans previously charged off	**4**	**-**	**4**	-	-	-
Net charge-offs	**4**	**(1)**	**3**	-	-	-
Provision for loan losses	**(20)**	**(4)**	**(24)**	(1)	(12)	(13)
Other	**-**	**-**	**-**	-	-	-
Allowance, end of period	**$ 143 ***	**$ 107**	**$ 250**	$ 200 *	$ 99	$ 299

* Of the total allowance at the end of the periods, $45 million and $98 million relate to individually assessed credit losses on $131 million and $281 million of commercial mortgage loans at March 31, 2015 and 2014, respectively.

During the three-month periods ended March 31, 2015 and 2014, loans with a carrying value of $65 million and $136 million, respectively, were modified in troubled debt restructurings.

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Item 1 / NOTE 8. VARIABLE INTEREST ENTITIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

8. VARIABLE INTEREST ENTITIES

We enter into various arrangements with VIEs in the normal course of business and consolidate the VIEs when we determine we are the primary beneficiary. This analysis includes a review of the VIE's capital structure, related contractual relationships and terms, nature of the VIE's operations and purpose, nature of the VIE's interests issued and our involvement with the entity. When assessing the need to consolidate a VIE, we evaluate the design of the VIE as well as the related risks the entity was designed to expose the variable interest holders to.

For VIEs with attributes consistent with that of an investment company or a money market fund, the primary beneficiary is the party or group of related parties that absorbs a majority of the expected losses of the VIE, receives the majority of the expected residual returns of the VIE, or both.

For all other VIEs, the primary beneficiary is the entity that has both (1) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (2) the obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. While also considering these factors, the consolidation conclusion depends on the breadth of our decision-making ability and our ability to influence activities that significantly affect the economic performance of the VIE.

Balance Sheet Classification and Exposure to Loss

The following table presents the total assets and total liabilities associated with our variable interests in consolidated VIEs, as classified in the Condensed Consolidated Balance Sheets:

(in millions)		Real Estate and Investment Entities[d]	Securitization Vehicles	Structured Investment Vehicle	Affordable Housing Partnerships	Other	Total
March 31, 2015							
Assets:							
Bonds available for sale	$	-$	11,389$	-$	-$	34$	11,423
Other bond securities		-	6,850	528	-	38	7,416
Mortgage and other loans receivable		-	2,359	-	-	155	2,514
Other invested assets		611	632	-	1,846	27	3,116

Other [(a)]		41		1,298		142		57		70	1,608
Total assets[(b)]	$	652	$	22,528	$	670	$	1,903	$	324	$26,077
Liabilities:											
Long-term debt	$	68	$	1,318	$	52	$	265	$	6	$ 1,709
Other [(c)]		37		247		1		140		33	458
Total liabilities	$	105	$	1,565	$	53	$	405	$	39	$ 2,167

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December 31, 2014						
Assets:						
Bonds available for sale	$ -	$ 11,459	$ -	$ -	$ 35	$ 11,494
Other bond securities	-	7,251	615	-	40	7,906
Mortgage and other loans receivable	-	2,398	-	-	162	2,560
Other invested assets	577	651	-	1,684	29	2,941
Other [(a)]	40	1,447	140	49	76	1,752
Total assets[(b)]	$ 617	$ 23,206	$ 755	$ 1,733	$ 342	$ 26,653
Liabilities:						
Long-term debt	$ 69	$ 1,370	$ 52	$ 199	$ 7	$ 1,697
Other[(c)]	32	276	-	101	37	446
Total liabilities	$ 101	$ 1,646	$ 52	$ 300	$ 44	$ 2,143

(a) Comprised primarily of Short-term investments, Premiums and other receivables and Other assets at both March 31, 2015 and December 31, 2014.

(b) The assets of each VIE can be used only to settle specific obligations of that VIE.

(c) Comprised primarily of Other liabilities and Derivative liabilities, at fair value, at both March 31, 2015 and December 31, 2014.

(d) At March 31, 2015 and December 31, 2014, off-balance sheet exposure, primarily consisting of commitments to real estate and investment entities, was $81.9 million and $56.4 million, respectively.

We calculate our maximum exposure to loss to be (i) the amount invested in the debt or equity of the VIE, (ii) the notional amount of VIE assets or liabilities where we have also provided credit protection to the VIE with the VIE as the referenced obligation, and (iii) other commitments and guarantees to the VIE. Interest holders in VIEs sponsored by us generally have recourse only to the assets and cash flows of the VIEs and do not have recourse to us, except in limited circumstances when we have provided a guarantee to the VIE's interest holders.

The following table presents total assets of unconsolidated VIEs in which we hold a variable interest, as well as our maximum exposure to loss associated with these VIEs:

		Maximum Exposure to Loss		
(in millions)	Total VIE Assets	On-Balance Sheet*	Off-Balance Sheet	Total
March 31, 2015				

Real estate and investment entities	**$**	**19,342**	**$**	**2,817**	**$**	**433**	**$**	**3,250**
Affordable housing partnerships		**7,760**		**405**		**-**		**405**
Other		**383**		**14**		**-**		**14**
Total	**$**	**27,485**	**$**	**3,236**	**$**	**433**	**$**	**3,669**
December 31, 2014								
Real estate and investment entities	$	19,949	$	2,785	$	454	$	3,239
Affordable housing partnerships		7,911		425		-		425
Other		617		32		-		32
Total	$	28,477	$	3,242	$	454	$	3,696

* At both March 31, 2015 and December 31, 2014, $3.2 billion of our total unconsolidated VIE assets were recorded as Other invested assets.

See Note 10 to the Consolidated Financial Statements in the 2014 Annual Report for additional information on VIEs.

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Item 1 / NOTE 9. DERIVATIVES AND HEDGE ACCOUNTING

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

9. DERIVATIVES AND HEDGE ACCOUNTING

We use derivatives and other financial instruments as part of our financial risk management programs and as part of our investment operations. See Note 11 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of our accounting policies and procedures regarding derivatives and hedge accounting.

The following table presents the notional amounts and fair values of our derivative instruments:

	March 31, 2015				December 31, 2014			
	Gross Derivative Assets		Gross Derivative Liabilities		Gross Derivative Assets		Gross Derivative Liabilities	
(in millions)	Notional Amount	Fair Value[(a)]	Notional Amount	Fair Value[(a)]	Notional Amount	Fair Value[(a)]	Notional Amount	Fair Value[(a)]
Derivatives designated as hedging instruments:								
Interest rate contracts	**$ 155**	**$ 2**	**$ 25**	**$ 2**	$ 155	$ -	$ 25	$ 2
Foreign exchange contracts	**1,201**	**107**	**1,086**	**99**	611	25	1,794	239
Equity contracts	**34**	**2**	**92**	**14**	7	1	104	13
Derivatives not designated as hedging instruments:								
Interest rate contracts	**77,540**	**4,819**	**58,358**	**4,201**	65,070	3,743	45,251	3,183
Foreign exchange contracts	**11,847**	**864**	**10,426**	**1,354**	13,667	815	8,516	1,251
Equity contracts[(b)]	**7,470**	**182**	**42,928**	**1,926**	7,565	206	42,387	1,615
Commodity contracts	**13**	**-**	**12**	**6**	15	-	11	6
Credit contracts	**5**	**4**	**1,438**	**795**	5	4	5,288	982
Other contracts[(c)]	**36,221**	**29**	**490**	**88**	36,155	31	538	90
Total derivatives not designated as hedging instruments	**133,096**	**5,898**	**113,652**	**8,370**	122,477	4,799	101,991	7,127
Total derivatives, gross	**$ 134,486**	**$ 6,009**	**$ 114,855**	**$ 8,485**	$ 123,250	$ 4,825	$ 103,914	$ 7,381

(a) Fair value amounts are shown before the effects of counterparty netting adjustments and offsetting cash collateral.

(b) Notional amount of derivative assets and fair value of derivative assets were zero at both March 31, 2015 and December 31, 2014, related to bifurcated embedded derivatives. Notional amount of derivative liabilities and fair value of derivative liabilities include $39.7 billion and $1.9 billion, respectively, at March 31, 2015, and $39.3 billion and $1.5 billion, respectively, at December 31, 2014, related to bifurcated embedded derivatives. A bifurcated embedded derivative is generally presented with the host contract in the Condensed Consolidated Balance Sheets.

(c) Consists primarily of contracts with multiple underlying exposures.

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The following table presents the fair values of derivative assets and liabilities in the Condensed Consolidated Balance Sheets:

	March 31, 2015				December 31, 2014			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
(in millions)	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	F Val
GCM derivatives:								
AIG Financial Products	**$ 21,971**	**$ 2,599**	**$ 22,693**	**$ 3,380**	$ 23,153	$ 2,445	$ 27,719	$ 3,0
AIG Markets, Inc. (AIG Markets)	**67,667**	**2,984**	**43,611**	**2,513**	55,005	1,935	29,251	2,1
Total GCM derivatives[(a)]	**89,638**	**5,583**	**66,304**	**5,893**	78,158	4,380	56,970	5,1
Non-GCM derivatives[(b)]	**44,848**	**426**	**48,551**	**2,592**	45,092	445	46,944	2,2
Total derivatives, gross	**$ 134,486**	**6,009**	**$ 114,855**	**8,485**	$ 123,250	4,825	$ 103,914	7,3
Counterparty netting[(c)]		**(2,476)**		**(2,476)**		(2,102)		(2,10
Cash collateral[(d)]		**(1,912)**		**(1,460)**		(1,119)		(1,42
Total derivatives, net		**1,621**		**4,549**		1,604		3,8
Less: Bifurcated embedded derivatives		**-**		**1,898**		-		1,5
Total derivatives on condensed consolidated balance sheets		**$ 1,621**		**$ 2,651**		$ 1,604		$ 2,2

(a) As of March 31, 2015 and December 31, 2014, includes super senior multi-sector CDOs with a net notional amount of $1.2 billion and $2.6 billion (fair value liability of $554 million and $947 million), respectively. The expected weighted average maturity as of March 31, 2015 is six years. Because of long-term maturities of the credit default swaps (CDSs) in the portfolio, we are unable to make reasonable estimates of the periods during which any payments would be made. However, the net notional amount represents the maximum exposure to loss on the portfolio. As of March 31, 2015, there were no super senior corporate debt/CLOs remaining. As of December 31, 2014, includes super senior corporate debt/CLOs with a net notional amount of $2.5 billion (fair value liability of $7 million).

(b) Represents derivatives used to hedge the interest rate, foreign currency and equity risk associated with derivatives embedded in insurance contracts and stable value wraps. Assets and liabilities include bifurcated embedded derivatives which are recorded in Policyholder contract deposits.

(c) Represents netting of derivative exposures covered by a qualifying master netting agreement.

(d) Represents cash collateral posted and received that is eligible for netting.

Collateral

We engage in derivative transactions that are not subject to a clearing requirement directly with unaffiliated third parties, in most cases, under International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements. Many of the ISDA Master Agreements also include Credit Support Annex (CSA) provisions, which provide for collateral postings that may vary at various ratings and threshold levels. We attempt to reduce our risk with certain counterparties by entering into agreements that enable collateral to be obtained from a counterparty on an upfront or contingent basis. We minimize the risk that counterparties to transactions might be unable to fulfill their contractual obligations by monitoring counterparty credit exposure and collateral value and generally requiring additional collateral to be posted upon the occurrence of certain events or circumstances. In addition, certain derivative transactions have provisions that require collateral to be posted upon a downgrade of our long term debt ratings or give the counterparty the right to terminate the transaction. In the case of some of the derivative transactions, upon a downgrade of our long term debt ratings, as an alternative to posting collateral and subject to certain conditions, we may assign the transaction to an obligor with higher debt ratings or arrange for a substitute guarantee of our obligations by an obligor with higher debt ratings or take other similar action. The actual amount of collateral required to be posted to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at and after the time of the downgrade.

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Collateral posted by us to third parties for derivative transactions was $3.3 billion at both March 31, 2015 and December 31, 2014. In the case of collateral posted under derivative transactions that are not subject to clearing, this collateral can generally be repledged or resold by the counterparties. Collateral provided to us from third parties for derivative transactions was $2.1 billion and $1.3 billion at March 31, 2015 and December 31, 2014, respectively. We generally can repledge or resell this collateral.

Offsetting

We have elected to present all derivative receivables and derivative payables, and the related cash collateral received and paid, on a net basis on our Condensed Consolidated Balance Sheets when a legally enforceable ISDA Master Agreement exists between us and our derivative counterparty. An ISDA Master Agreement is an agreement governing multiple derivative transactions between two counterparties. The ISDA Master Agreement generally provides for the net settlement of all, or a specified group, of these derivative transactions, as well as transferred collateral, through a single payment, and in a single currency, as applicable. The net settlement provisions apply in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions governed by the ISDA Master Agreement.

Hedge Accounting

We designated certain derivatives entered into by GCM with third parties as fair value hedges of available for sale investment securities held by our insurance subsidiaries. The fair value hedges include foreign currency forwards and cross currency swaps designated as hedges of the change in fair value of foreign currency denominated available for sale securities attributable to changes in foreign exchange rates. We also designated certain interest rate swaps entered into by GCM with third parties as fair value hedges of fixed-rate GICs attributable to changes in benchmark interest rates.

We use foreign currency denominated debt and cross-currency swaps as hedging instruments in net investment hedge relationships to mitigate the foreign exchange risk associated with our non-U.S. dollar functional currency foreign subsidiaries. For net investment hedge relationships where issued debt is used as a hedging instrument, we assess the hedge effectiveness and measure the amount of ineffectiveness based on changes in spot rates. For net investment hedge relationships that use derivatives as hedging instruments, we assess hedge effectiveness and measure hedge ineffectiveness using changes in forward rates. For the three month periods ended March 31, 2015 and 2014, we recognized gains of $94 million and $3 million, respectively, included in Change in foreign currency translation adjustment in Other comprehensive income related to the net investment hedge relationships.

A qualitative methodology is utilized to assess hedge effectiveness for net investment hedges, while regression analysis is employed for all other hedges.

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The following table presents the gain (loss) recognized in earnings on our derivative instruments in fair value hedging relationships in the Condensed Consolidated Statements of Income:

	Gains/(Losses) Recognized in Earnings for:		Including Gains/(Losses) Attributable to:		
(in millions)	Hedging Derivatives[(a)]	Hedged Items	Hedge Ineffectiveness	Excluded Components	Other[(b)]
Three Months Ended March 31, 2015					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (1)	$ -	$ -	$ -
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	3	-	-	3
Gain/(Loss) on extinguishment of debt	-	13	-	-	13
Foreign exchange contracts:					
Realized capital gains/(losses)	132	(128)	-	1	3
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	6	-	-	6
Gain/(Loss) on extinguishment of debt	-	16	-	-	16
Equity contracts:					
Realized capital gains/(losses)	(6)	5	-	(1)	-
Three Months Ended March 31, 2014					
Interest rate contracts:					
Realized capital gains/(losses)	$ 1	$ (2)	$ -	$ -	$ (1)
Interest credited to policyholder account balances	-	(1)	-	-	(1)
Other income	-	18	-	-	18
Gain/(Loss) on extinguishment of debt	-	50	-	-	50
Foreign exchange contracts:					
Realized capital gains/(losses)	24	(32)	-	(8)	-
Interest credited to policyholder account balances	-	-	-	-	-
Other income	-	-	-	-	-
Gain/(Loss) on extinguishment of debt	-	-	-	-	-
Equity contracts					
Realized capital gains/(losses)	1	(1)	-	-	-

(a) The amounts presented do not include the periodic net coupon settlements of the derivative contract or the coupon income (expense) related to the hedged item.

(b) Represents accretion/amortization of opening fair value of the hedged item at inception of hedge relationship, amortization of basis adjustment on hedged item following the discontinuation of hedge accounting, and the release of debt basis adjustment following the repurchase of issued debt that was part of previously-discontinued fair value hedge relationship.

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Derivatives Not Designated as Hedging Instruments

The following table presents the effect of derivative instruments not designated as hedging instruments in the Condensed Consolidated Statements of Income:

Three Months Ended March 31,	Gains (Losses) Recognized in Earnings	
(in millions)	**2015**	2014
By Derivative Type:		
Interest rate contracts[(a)]	**$ 361**	$ 139
Foreign exchange contracts	**322**	(14)
Equity contracts[(b)]	**(268)**	(428)
Commodity contracts	**(1)**	1
Credit contracts	**147**	80
Other contracts	**23**	15
Total	**$ 584**	$ (207)
By Classification:		
Policy fees	**$ 19**	$ 15
Net investment income	**27**	(1)
Net realized capital gains (losses)	**171**	(275)
Other income	**362**	49
Policyholder benefits and claims incurred	**5**	5
Total	**$ 584**	$ (207)

(a) Includes cross currency swaps.

(b) Includes embedded derivative losses of $178 million and $396 million for the three month periods ended March 31, 2015 and 2014, respectively.

Derivatives and Other Instruments

Our businesses use derivatives and other instruments as part of their financial risk management. Interest rate derivatives (such as interest rate swaps) are used to manage interest rate risk associated with embedded derivatives contained in insurance contract liabilities, fixed maturity securities, outstanding medium and long term notes as well as other interest rate sensitive assets and liabilities. Foreign exchange derivatives (principally foreign exchange forwards and options) are used to economically mitigate risk associated with non U.S. dollar denominated debt, net capital exposures, and foreign currency transactions. Equity derivatives are used to mitigate financial risk embedded in certain insurance liabilities. The derivatives are effective economic hedges of the exposures that they are meant to offset.

In addition to hedging activities, we also enter into derivative instruments with respect to investment operations, which may include, among other things, CDSs and purchasing investments with embedded derivatives, such as equity linked notes and convertible bonds.

Credit Risk-Related Contingent Features

The aggregate fair value of our derivative instruments that contain credit risk related contingent features that were in a net liability position at March 31, 2015 and December 31, 2014, was approximately $2.9 billion and $2.5 billion, respectively. The aggregate fair value of assets posted as collateral under these contracts at March 31, 2015 and December 31, 2014, was $2.4 billion and $2.7 billion, respectively.

We estimate that at March 31, 2015, based on our outstanding financial derivative transactions, a one notch downgrade of our long term senior debt ratings to BBB+ by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw Hill Companies, Inc. (S&P), would permit counterparties to make additional collateral calls and permit certain counterparties to elect early termination of contracts, resulting in approximately $19 million in additional collateral postings and termination

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payments; a one notch downgrade to Baa2 by Moody's Investors' Service, Inc. (Moody's) and an additional one notch downgrade to BBB by S&P would result in approximately $42 million in additional collateral postings and termination payments; and a further one notch downgrade to Baa3 by Moody's and BBB by S&P would result in approximately $84 million in additional collateral postings and termination payments.

Additional collateral postings upon downgrade are estimated based on the factors in the individual collateral posting provisions of the CSA with each counterparty and current exposure as of March 31, 2015. Factors considered in estimating the termination payments upon downgrade include current market conditions, the complexity of the derivative transactions, historical termination experience and other observable market events such as bankruptcy and downgrade events that have occurred at other companies. Our estimates are also based on the assumption that counterparties will terminate based on their net exposure to us. The actual termination payments could significantly differ from our estimates given market conditions at the time of downgrade and the level of uncertainty in estimating both the number of counterparties who may elect to exercise their right to terminate and the payment that may be triggered in connection with any such exercise.

Hybrid Securities with Embedded Credit Derivatives

We invest in hybrid securities (such as credit linked notes) with the intent of generating income, and not specifically to acquire exposure to embedded derivative risk. As is the case with our other investments in RMBS, CMBS, CDOs and ABS, our investments in these hybrid securities are exposed to losses only up to the amount of our initial investment in the hybrid security. Other than our initial investment in the hybrid securities, we have no further obligation to make payments on the embedded credit derivatives in the related hybrid securities.

We elect to account for our investments in these hybrid securities with embedded written credit derivatives at fair value, with changes in fair value recognized in Net investment income and Other income. Our investments in these hybrid securities are reported as Other bond securities in the Condensed Consolidated Balance Sheets. The fair values of these hybrid securities were $5.9 billion and $6.1 billion at March 31, 2015 and December 31, 2014, respectively. These securities have par amounts of $12.3 billion at both March 31, 2015 and December 31, 2014, and have remaining stated maturity dates that extend to 2052.

10. CONTINGENCIES, COMMITMENTS AND GUARANTEES

In the normal course of business, various contingent liabilities and commitments are entered into by AIG and our subsidiaries. In addition, AIG Parent guarantees various obligations of certain subsidiaries.

Although AIG cannot currently quantify its ultimate liability for unresolved litigation and investigation matters, including those referred to below, it is possible that such liability could have a material adverse effect on AIG's consolidated financial condition or its consolidated results of operations or consolidated cash flows for an individual reporting period.

Legal Contingencies

Overview. In the normal course of business, AIG and our subsidiaries are, like others in the insurance and financial services industries in general, subject to litigation, including claims for punitive damages. In our insurance and mortgage guaranty operations, litigation arising from claims settlement activities is generally considered in the establishment of our liability for unpaid losses and loss adjustment expenses. However, the potential for increasing jury awards and settlements makes it difficult to assess the ultimate outcome of such litigation. AIG is also subject to derivative, class action and other claims asserted by its shareholders and others alleging, among other things, breach of fiduciary duties by its directors and officers and violations of insurance laws and regulations, as well as federal and state securities laws. In the case of any derivative action brought on behalf of AIG, any recovery would accrue to the benefit of AIG.

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Various regulatory and governmental agencies have been reviewing certain transactions and practices of AIG and our subsidiaries in connection with industry-wide and other inquiries into, among other matters, certain business practices of current and former operating insurance subsidiaries. We have cooperated, and will continue to cooperate, in producing documents and other information in response to subpoenas and other requests.

AIG's Subprime Exposure, AIGFP Credit Default Swap Portfolio and Related Matters

AIG, AIG Financial Products Corp. and related subsidiaries (collectively AIGFP), and certain directors and officers of AIG, AIGFP and other AIG subsidiaries have been named in various actions relating to our exposure to the U.S. residential subprime mortgage market, unrealized market valuation losses on AIGFP's super senior credit default swap portfolio, losses and liquidity constraints relating to our securities lending program and related disclosure and other matters (Subprime Exposure Issues).

Consolidated 2008 Securities Litigation. Between May 21, 2008 and January 15, 2009, eight purported securities class action complaints were filed against AIG and certain directors and officers of AIG and AIGFP, AIG's outside auditors, and the underwriters of various securities offerings in the United States District Court for the Southern District of New York (the Southern District of New York), alleging claims under the Securities Exchange Act of 1934, as amended (the Exchange Act), or claims under the Securities Act of 1933, as amended (the Securities Act). On March 20, 2009, the Court consolidated all eight of the purported securities class actions as In re American International Group, Inc. 2008 Securities Litigation (the Consolidated 2008 Securities Litigation).

On May 19, 2009, the lead plaintiff in the Consolidated 2008 Securities Litigation filed a consolidated complaint on behalf of purchasers of AIG Common Stock during the alleged class period of March 16, 2006 through September 16, 2008, and on behalf of purchasers of various AIG securities offered pursuant to AIG's shelf registration statements. The consolidated complaint alleges that defendants made statements during the class period in press releases, AIG's quarterly and year-end filings, during conference calls, and in various registration statements and prospectuses in connection with the various offerings that were materially false and misleading and that artificially inflated the price of AIG Common Stock. The alleged false and misleading statements relate to, among other things, the Subprime Exposure Issues. The consolidated complaint alleges violations of Sections 10(b) and 20(a) of the Exchange Act and Sections 11, 12(a)(2), and 15 of the Securities Act. On August 5, 2009, defendants filed motions to dismiss the consolidated complaint, and on September 27, 2010, the Court denied the motions to dismiss.

On April 26, 2013, the Court dismissed all claims against the outside auditors in their entirety, and it also reduced the scope of the Securities Act claims against AIG and defendants other than the outside auditors.

On July 15, 2014, lead plaintiff and all defendants except AIG's outside auditors accepted a mediator's proposal to settle the Consolidated 2008 Securities Litigation for a cash payment by AIG of $960 million (the AIG Settlement). On August 1, 2014, lead plaintiff and AIG's outside auditors accepted a mediator's proposal to resolve the Consolidated 2008 Securities Litigation for a cash payment by the outside auditors (the Auditor Settlement and, collectively with the AIG Settlement, the Settlement). On October 7, 2014, the Court granted lead plaintiff's Motion for Preliminary Approval of Settlement and Approval of Notice to the Class and scheduled a final settlement approval hearing for March 20, 2015. The deadline for parties to exclude themselves from the Settlement passed on January 5, 2015. On October 22, 2014, AIG made a cash payment of $960 million, which is being held in escrow pending final, non-appealable, approval of the AIG Settlement and until all funds are distributed pursuant to the AIG Settlement. The Court entered a final order approving the AIG Settlement on March 20, 2015; however, on April 14, 2015, an individual class member/objector filed a notice of appeal of the final order approving the AIG Settlement.

Individual Securities Litigations. Between November 18, 2011 and September 16, 2013, nine separate, though similar, securities actions were filed asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG and certain directors and officers of AIG and AIGFP (one such action also names as defendants AIG's outside

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auditor and the underwriters of various securities offerings). Two such actions have been voluntarily dismissed; the remainder are now pending in the Southern District of New York. On January 20, 2015, AIG and other defendants filed motions to dismiss some or all of the claims asserted in all such actions pending as of that date. On February 2, 2015, and February 9, 2015, two additional securities actions were filed in the Southern District of New York asserting claims substantially similar to those in the Consolidated 2008 Securities Litigation against AIG (one of the two actions also names as defendants certain directors and officers of AIG and AIGFP, AIG's outside auditor and certain of AIG's underwriters during the relevant period). On March 25, 2015 and April 3, 2015, AIG filed motions to dismiss the claims in whole, or in part, asserted in the two additional securities actions.

On March 27, 2015, an additional securities action was filed in state court in Orange County, California asserting a claim against AIG pursuant to Section 11 of the Securities Act that is substantially similar to those in the Consolidated 2008 Securities Litigation and the nine individual securities litigations pending in the Southern District of New York. On April 29, 2015, AIG filed a complaint for declaratory relief in the Southern District of New York seeking a declaration that the Section 11 claims filed in Orange Country, California are time-barred. On April 30, 2015, AIG removed the action from state court in Orange County, California to federal court in the Central District of California.

We have accrued our current estimate of probable loss with respect to these litigations and other potential related litigations.

ERISA Actions – Southern District of New York Between June 25, 2008 and November 25, 2008, AIG, certain directors and officers of AIG, and members of AIG's Retirement Board and Investment Committee were named as defendants in eight purported class action complaints asserting claims on behalf of participants in certain pension plans sponsored by AIG or its subsidiaries. The Court subsequently consolidated these eight actions as In re American International Group, Inc. ERISA Litigation II. On December 19, 2014, lead plaintiffs' counsel filed under seal a third consolidated amended complaint. The action purports to be brought as a class action under the Employee Retirement Income Security Act of 1974, as amended (ERISA), on behalf of all participants in or beneficiaries of certain benefit plans of AIG and its subsidiaries that offered shares of AIG Common Stock. In the third consolidated amended complaint, plaintiffs allege, among other things, that the defendants breached their fiduciary responsibilities to plan participants and their beneficiaries under ERISA, by continuing to offer the AIG Stock Fund as an investment option in the plans after it allegedly became imprudent to do so. The alleged ERISA violations relate to, among other things, the defendants' purported failure to monitor and/or disclose certain matters, including the Subprime Exposure Issues.

On January 6, 2015, the parties informed the Court that they had accepted a mediator's proposal to settle the action for $40 million. On April 23, 2015, lead plaintiffs' counsel filed an unopposed motion for preliminary approval of the settlement, certification of a settlement class, approval of notices of settlement, approval of the plan of allocation, and setting of a fairness hearing. The entirety of the $40 million settlement is expected to be paid by AIG's fiduciary liability insurance carriers.

Canadian Securities Class Action – Ontario Superior Court of Justice. On November 12, 2008, an application was filed in the Ontario Superior Court of Justice for leave to bring a purported class action against AIG, AIGFP, certain directors and officers of AIG and Joseph Cassano, the former Chief Executive Officer of AIGFP, pursuant to the Ontario Securities Act. If the Court grants the application, a class plaintiff will be permitted to file a statement of claim against defendants. The proposed statement of claim would assert a class period of March 16, 2006 through September 16, 2008 and would allege that during this period defendants made false and misleading statements and omissions in quarterly and annual reports and during oral presentations in violation of the Ontario Securities Act.

On April 17, 2009, defendants filed a motion record in support of their motion to stay or dismiss for lack of jurisdiction and forum non conveniens. On July 12, 2010, the Court adjourned a hearing on the motion pending a decision by the Supreme Court of Canada in a pair of actions captioned Club Resorts Ltd. v. Van Breda 2012 SCC 17. On April 18, 2012, the Supreme Court of Canada clarified the standard for determining jurisdiction over foreign and out of province defendants, such as AIG, by holding that a defendant must have some form of "actual," as opposed to a merely "virtual," presence to be deemed to be "doing business" in the jurisdiction. The Supreme Court of Canada also suggested that in future cases, defendants may contest jurisdiction even when they are found to be doing business in a Canadian jurisdiction if their business activities in the

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

jurisdiction are unrelated to the subject matter of the litigation. The matter has been stayed pending further developments in the Consolidated 2008 Securities Litigation. Plaintiff has not yet moved to lift the stay.

In plaintiff's proposed statement of claim, plaintiff alleged general and special damages of $500 million and punitive damages of $50 million plus prejudgment interest or such other sums as the Court finds appropriate. As of May 4, 2015, the Court has not determined whether it has jurisdiction or granted plaintiff's application to file a statement of claim, no merits discovery has occurred and the action has been stayed. As a result, we are unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

Starr International Litigation

On November 21, 2011, Starr International Company, Inc. (SICO) filed a complaint against the United States in the United States Court of Federal Claims (the Court of Federal Claims), bringing claims, both individually and on behalf of the classes defined below and derivatively on behalf of AIG (the SICO Treasury Action). The complaint challenges the government's assistance of AIG, pursuant to which AIG entered into a credit facility with the Federal Reserve Bank of New York (the FRBNY, and such credit facility, the FRBNY Credit Facility) and the United States received an approximately 80 percent ownership in AIG. The complaint alleges that the interest rate imposed on AIG and the appropriation of approximately 80 percent of AIG's equity was discriminatory, unprecedented, and inconsistent with liquidity assistance offered by the government to other comparable firms at the time and violated the Equal Protection, Due Process, and Takings Clauses of the U.S. Constitution.

In rulings dated July 2, 2012 and September 17, 2012, the Court of Federal Claims largely denied the United States' motion to dismiss in the SICO Treasury Action.

In the SICO Treasury Action, the only claims naming AIG as a party (as a nominal defendant) are derivative claims on behalf of AIG. On September 21, 2012, SICO made a pre litigation demand on our Board demanding that we pursue the derivative claims or allow SICO to pursue the claims on our behalf. On January 9, 2013, our Board unanimously refused SICO's demand in its entirety and on January 23, 2013, counsel for the Board sent a letter to counsel for SICO describing the process by which our Board considered and refused SICO's demand and stating the reasons for our Board's determination.

On March 11, 2013, SICO filed a second amended complaint in the SICO Treasury Action alleging that its demand was wrongfully refused. On June 26, 2013, the Court of Federal Claims granted AIG's and the United States' motions to dismiss SICO's derivative claims in the SICO Treasury Action and denied the

United States' motion to dismiss SICO's direct claims.

On March 11, 2013, the Court of Federal Claims in the SICO Treasury Action granted SICO's motion for class certification of two classes with respect to SICO's non derivative claims: (1) persons and entities who held shares of AIG Common Stock on or before September 16, 2008 and who owned those shares on September 22, 2008; and (2) persons and entities who owned shares of AIG Common Stock on June 30, 2009 and were eligible to vote those shares at AIG's June 30, 2009 annual meeting of shareholders. SICO has provided notice of class certification to potential members of the classes, who, pursuant to a court order issued on April 25, 2013, had to return opt in consent forms by September 16, 2013 to participate in either class. 286,908 holders of AIG Common Stock during the two class periods have opted into the classes.

Trial in the SICO Treasury Action began in the Court of Federal Claims on September 29, 2014, and witness testimony concluded on November 24, 2014. SICO argued during trial that the two classes are entitled to a total of approximately $40 billion in damages, plus interest. The parties have completed post-trial briefing and closing arguments took place on April 22, 2015.

While AIG is no longer a party to the SICO Treasury Action, the United States has alleged, as an affirmative defense in its answer, that AIG is obligated to indemnify the FRBNY and its representatives, including the Federal Reserve Board of Governors and the United States (as the FRBNY's principal), for any recovery in the SICO Treasury Action, and seeks a contingent offset or recoupment for the value of net operating loss benefits the United States alleges that we received as a result of the government's assistance. On November 8, 2013, the Court denied a motion by SICO to strike the United States' affirmative defenses of indemnification and contingent offset or recoupment.

AIG believes that any such indemnification obligation would arise only if: (a) SICO prevails on its claims at trial and receives an award of damages and prevails through any appellate process; (b) the United States commences an action against AIG seeking indemnification; and (c) the United States is successful in such an action through any appellate process. If SICO prevails on its claims and the United States seeks indemnification from AIG, AIG intends to assert defenses thereto. A final determination that the United States is liable for damages, together with a final determination that AIG is obligated to indemnify the United States for any such damages, could have a material adverse effect on our business, consolidated financial condition and results of operations.

False Claims Act Complaint

On February 25, 2010, a complaint was filed in the United States District Court for the Southern District of California by two individuals (Relators) seeking to assert claims on behalf of the United States against AIG and certain other defendants, including Goldman Sachs and Deutsche Bank, under the False Claims Act. Relators filed a first amended complaint on September 30, 2010, adding certain additional defendants, including Bank of America and Société Générale. The first amended complaint alleged that defendants engaged in fraudulent business practices in respect of their activities in the over-the-counter market for collateralized debt obligations, and submitted false claims to the United States in connection with the FRBNY Credit Facility and Maiden Lane II LLC and Maiden Lane III LLC entities (the Maiden Lane Interests) through, among other things, misrepresenting AIG's ability and intent to repay amounts drawn on the FRBNY Credit Facility, and misrepresenting the value of the securities that the Maiden Lane Interests acquired from AIG and certain of its counterparties. The first amended complaint sought unspecified damages pursuant to the False Claims Act in the amount of three times the damages allegedly sustained by the United States as well as interest, attorneys' fees, costs and expenses. The complaint and the first amended complaint were initially filed and maintained under seal while the United States considered whether to intervene in the action. On or about April 28, 2011, after the United States declined to intervene, the District Court lifted the seal, and Relators served the first amended complaint on AIG on July 11, 2011. On April 19, 2013, the Court granted AIG's motion to dismiss, dismissing the first amended complaint in its entirety, without prejudice, giving the Relators the opportunity to file a second amended complaint. On May 24, 2013, the Relators filed a second amended complaint, which attempted to plead the same claims as the prior complaints and did not specify an amount of alleged damages. AIG and its co-defendants filed motions to dismiss the second amended complaint on August 9, 2013. On March 29, 2014, the Court dismissed the second amended complaint with prejudice. On April 30, 2014, the Relators filed a Notice of

Appeal to the Ninth Circuit. We are unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

Litigation Matters Relating to AIG's Insurance Operations

Caremark. AIG and certain of its subsidiaries have been named defendants in two putative class actions in state court in Alabama that arise out of the 1999 settlement of class and derivative litigation involving Caremark Rx, Inc. (Caremark). The plaintiffs in the second filed action intervened in the first filed action, and the second filed action was dismissed. An excess policy issued by a subsidiary of AIG with respect to the 1999 litigation was expressly stated to be without limit of liability. In the current actions, plaintiffs allege that the judge approving the 1999 settlement was misled as to the extent of available insurance coverage and would not have approved the settlement had he known of the existence and/or unlimited nature of the excess policy. They further allege that AIG, its subsidiaries, and Caremark are liable for fraud and suppression for misrepresenting and/or concealing the nature and extent of coverage.

The complaints filed by the plaintiffs and the intervenors request compensatory damages for the 1999 class in the amount of $3.2 billion, plus punitive damages. AIG and its subsidiaries deny the allegations of fraud and suppression, assert that information concerning the excess policy was publicly disclosed months prior to the approval of the settlement, that the claims are barred by the statute of limitations, and that the statute cannot be tolled in light of the public disclosure of the excess

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coverage. The plaintiffs and intervenors, in turn, have asserted that the disclosure was insufficient to inform them of the nature of the coverage and did not start the running of the statute of limitations.

On August 15, 2012, the trial court entered an order granting plaintiffs' motion for class certification, and on September 12, 2014, the Alabama Supreme Court affirmed that order. AIG and the other defendants' petition for rehearing of that decision was denied on February 27, 2015. The matter will return to the trial court for general discovery (which has not yet commenced) and adjudication of the merits. AIG is unable to reasonably estimate the possible loss or range of losses, if any, arising from the litigation.

Regulatory and Related Matters

In April 2007, the National Association of Insurance Commissioners (NAIC) formed a Settlement Review Working Group, directed by the State of Indiana, to review the Workers' Compensation Residual Market Assessment portion of the settlement between AIG, the Office of the New York Attorney General, and the New York State Department of Insurance. In late 2007, the Settlement Review Working Group, under the direction of Indiana, Minnesota and Rhode Island, recommended that a multi-state targeted market conduct examination focusing on workers' compensation insurance be commenced under the direction of the NAIC's Market Analysis Working Group. AIG was informed of the multi-state targeted market conduct examination in January 2008. The lead states in the multi-state examination were Delaware, Florida, Indiana, Massachusetts, Minnesota, New York, Pennsylvania and Rhode Island. All other states (and the District of Columbia) agreed to participate in the multi-state examination. The examination focused on legacy issues related to certain AIG entities' writing and reporting of workers compensation insurance between 1985 and 1996.

On December 17, 2010, AIG and the lead states reached an agreement to settle all regulatory liabilities arising out of the subjects of the multistate examination. This regulatory settlement agreement, which was agreed to by all 50 states and the District of Columbia, included, among other terms, (i) AIG's payment of $100 million in regulatory fines and penalties; (ii) AIG's payment of $47 million in outstanding premium taxes and assessments; (iii) AIG's agreement to enter into a compliance plan describing agreed-upon specific steps and standards for evaluating AIG's ongoing compliance with state regulations governing the setting of workers' compensation insurance premium rates and the reporting of workers' compensation premiums; and (iv) AIG's agreement to pay up to $150 million in contingent fines in the event that AIG fails to comply substantially with the compliance plan requirements. In furtherance of the compliance plan, the agreement provided for a monitoring period from May 29, 2012 to May 29, 2014 leading up to a compliance plan examination. After the close of the monitoring period, as part of preparation for the actual conduct of the compliance plan examination, on or about October 1, 2014, AIG and the lead states agreed upon corrective action plans to address particular issues identified during the monitoring period. The compliance plan examination is ongoing. There can be no assurance that the result of the compliance plan examination will not result in a fine, have a material adverse effect on AIG's ongoing operations or lead to civil litigation.

In connection with a multi state examination of certain accident and health products, including travel products, issued by National Union Fire Insurance Company of Pittsburgh, Pa. (National Union), AIG Property Casualty Inc. (formerly Chartis Inc.), on behalf of itself, National Union, and certain of AIG Property Casualty Inc.'s insurance and non insurance companies (collectively, the AIG PC parties) entered into a Regulatory Settlement Agreement with regulators from 50 U.S. jurisdictions effective November 29, 2012. Under the agreement, and without admitting any liability for the issues raised in the examination, the AIG PC parties (i) paid a civil penalty of $50 million, (ii) entered into a corrective action plan describing agreed upon specific steps and standards for evaluating the AIG PC parties' ongoing compliance with laws and regulations governing the issues identified in the examination, and (iii) agreed to pay a contingent fine in the event that the AIG PC parties fail to satisfy certain terms of the corrective action plan. National Union and other AIG companies are also currently subject to civil litigation relating to the conduct of their accident and health business, and may be subject to additional litigation relating to the conduct of such business from time to time in the ordinary course. There can be no assurance that any regulatory action resulting from the issues identified will not have a material adverse effect on our ongoing operations of the business subject to the agreement, or on similar business written by other AIG carriers.

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Industry wide examinations conducted by the Minnesota Department of Insurance and the Department of Housing and Urban Development (HUD) on captive reinsurance practices by lenders and mortgage insurance companies, including United Guaranty Corporation (UGC), have been ongoing for several years. In 2011, the Consumer Financial Protection Bureau (CFPB) assumed responsibility for violations of the Real Estate Settlement Procedures Act from HUD, and assumed HUD's aforementioned ongoing investigation. UGC and the CFPB reached a settlement, entered on April 8, 2013 by the United States District Court for the Southern District of Florida, where UGC consented to discontinue its remaining captive reinsurance practices and to pay a civil monetary penalty of $4.5 million to the CFPB. The settlement includes a release for all liability related to UGC's captive reinsurance practices and resolves the CFPB's investigation. On January 31, 2014, PHH Corp. and various affiliates (all non-parties to the action and the consent order) filed a motion to reopen the case and to intervene therein for the limited purpose of obtaining a declaratory judgment enforcing the consent order. UGC opposed this request, and on March 10, 2014, the Court denied PHH Corp.'s motion. PHH Corp.'s appeal was dismissed by the Eleventh Circuit on March 5, 2015.

UGC has received a proposed consent order from the Minnesota Commissioner of Commerce (the MN Commissioner) which alleges that UGC violated the Real Estate Settlement Procedures Act and other state laws in connection with its practices with captive reinsurance companies owned by lenders. UGC is engaged in discussions with the MN Commissioner with respect to the terms of the proposed consent order. UGC cannot predict if or when a consent order may be entered into or, if entered into, what the terms of the final consent order will be. UGC has been subject to civil litigation relating to its placement of reinsurance with captives owned by lenders, and may be subject to additional litigation relating to the conduct of such business from time to time in the ordinary course.

As disclosed in prior quarters, a state regulatory agency has requested additional information relating to the unwinding of a position on which we realized gains of $196 million for the year ended December 31, 2014.

Other Contingencies

Liability for unpaid losses and loss adjustment expenses

Although we regularly review the adequacy of the established Liability for unpaid losses and loss adjustment expenses, there can be no assurance that our loss reserves will not develop adversely and have a material adverse effect on our results of operations. Estimation of ultimate net losses, loss expenses and loss reserves is a complex process, particularly for long tail casualty lines of business, which include, but are not limited to, general liability, commercial automobile liability, environmental, workers' compensation, excess casualty and crisis management coverages, insurance and risk management programs for large corporate customers and other customized structured insurance products, as well as excess and umbrella liability, directors and officers and products liability. Generally, actual historical loss development factors are used to project future loss development. However, there can be no assurance that future loss development patterns will be the same as in the past. Moreover, any deviation in loss cost trends or in loss development factors might not be identified for an extended period of time subsequent to the recording of the initial loss reserve estimates for any accident year. Reserves with respect to a number of years may be significantly affected by changes in loss cost trends or loss development factors that were relied upon in setting the reserves. These changes in loss cost trends or loss development factors could be attributable to changes in global economic conditions, changes in the legal, regulatory, judicial and social environment, changes in medical cost trends (for example, inflation, intensity and utilization of medical services), underlying policy pricing, terms and conditions, and claims handling practices.

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Other Commitments

In the normal course of business, we enter into commitments to invest in limited partnerships, private equity funds and hedge funds and to purchase and develop real estate in the U.S. and abroad. These commitments totaled $2.4 billion at March 31, 2015.

Guarantees

Subsidiaries

We have issued unconditional guarantees with respect to the prompt payment, when due, of all present and future payment obligations and liabilities of AIGFP and of AIG Markets arising from transactions entered into by AIG Markets.

In connection with AIGFP's business activities, AIGFP has issued, in a limited number of transactions, standby letters of credit or similar facilities to equity investors of structured leasing transactions in an amount equal to the termination value owing to the equity investor by the lessee in the event of a lessee default (the equity termination value). The total amount outstanding at March 31, 2015 was $214 million. In those transactions, AIGFP has agreed to pay such amount if the lessee fails to pay. The amount payable by AIGFP is, in certain cases, partially offset by amounts payable under other instruments typically equal to the present value of scheduled payments to be made by AIGFP. In the event that AIGFP is required to make a payment to the equity investor, the lessee is unconditionally obligated to reimburse AIGFP. To the extent that the equity investor is paid the equity termination value from the standby letter of credit and/or other sources, including payments by the lessee, AIGFP takes an assignment of the equity investor's rights under the lease of the underlying property. Because the obligations of the lessee under the lease transactions are generally economically defeased, lessee bankruptcy is the most likely circumstance in which AIGFP would be required to pay without reimbursement.

Asset Dispositions

General

We are subject to financial guarantees and indemnity arrangements in connection with the completed sales of businesses pursuant to our asset disposition plan. The various arrangements may be triggered by, among other things, declines in asset values, the occurrence of specified business contingencies, the realization of contingent liabilities, developments in litigation or breaches of representations, warranties or covenants provided by us. These arrangements are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential obligation is subject to contractual limitations, while in other cases such limitations are not specified or are not applicable.

We are unable to develop a reasonable estimate of the maximum potential payout under certain of these arrangements. Overall, we believe that it is unlikely we will have to make any material payments related to completed sales under these arrangements, and no material liabilities related to these arrangements have been recorded in the Condensed Consolidated Balance Sheets.

ALICO Sale

Pursuant to the terms of the ALICO stock purchase agreement, we agreed to provide MetLife with certain indemnities. The most significant remaining indemnities include indemnifications related to specific product, investment, litigation and other

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matters that are excluded from the general representations and warranties indemnity. These indemnifications provide for various deductible amounts, which in certain cases are zero, and maximum exposures, which in certain cases are unlimited, and may extend for various periods after the completion of the sale.

In connection with the indemnity obligations described above, approximately $19 million of proceeds from the sale of ALICO remained in escrow as of March 31, 2015.

Other

- See Note 8 to the Condensed Consolidated Financial Statements for additional discussion on commitments and guarantees associated with VIEs.

- See Note 9 to the Condensed Consolidated Financial Statements for additional disclosures about derivatives.

- See Note 16 to the Condensed Consolidated Financial Statements for additional disclosures about guarantees of outstanding debt.

11. EQUITY

Shares Outstanding

The following table presents a rollforward of outstanding shares:

	Common Stock Issued	Treasury Stock	Common Stock Outstanding
Three Months Ended March 31, 2015			
Shares, beginning of year	1,906,671,492	(530,744,521)	1,375,926,971
Shares issued	-	5,995	5,995
Shares repurchased	-	(28,855,379)	(28,855,379)
Shares, end of period	1,906,671,492	(559,593,905)	1,347,077,587

Dividends

Payment of future dividends to our shareholders and repurchases of AIG Common Stock depends in part on the regulatory framework that we are currently subject to and that will ultimately be applicable to us, including as a nonbank systemically important financial institution under the Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) and a global systemically important insurer. In addition, dividends are payable on AIG Common Stock only when, as and if declared by our Board of Directors in its discretion, from funds legally available for this purpose. In considering whether to pay a dividend or purchase shares of AIG Common Stock, our Board of Directors considers a number of factors, including, but not limited to: the capital resources available to support our core insurance operations and business strategies, AIG's funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, regulatory standards for capital and capital distributions, and such other factors as our Board of Directors may deem relevant.

On March 26, 2015, AIG paid a dividend of $0.125 per share on AIG Common Stock to shareholders of record on March 12, 2015.

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See Note 20 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of restrictions on payments of dividends to AIG Parent by its subsidiaries.

Repurchase of AIG Common Stock

On February 12, 2015, our Board of Directors authorized an additional increase to its previous repurchase authorization of AIG Common Stock, resulting in an aggregate remaining authorization on such date of approximately $2.5 billion. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans.

We repurchased approximately 29 million shares of AIG Common Stock during the three-month period ended March 31, 2015, for an aggregate purchase price of approximately $1.4 billion. As of March 31, 2015, approximately $1.1 billion remained under our repurchase authorization.

The total number of shares of AIG Common Stock repurchased in the first quarter of 2015 includes (but the aggregate purchase prices does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an accelerated share repurchase agreement executed in the fourth quarter of 2014.

The timing of any future repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

Accumulated Other Comprehensive Income

The following table presents a rollforward of Accumulated other comprehensive income:

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments

	on Which Other-Than-Temporary Credit Impairments Were Recognized		
Balance, December 31, 2014, net of tax	$ 1,043	$ 12,327	$ (1,784) $
Change in unrealized appreciation (depreciation) of investments	(59)	1,330	-
Change in deferred acquisition costs adjustment and other	(19)	80	-
Change in future policy benefits	(23)	(380)	-
Change in foreign currency translation adjustments	-	-	(632)
Net actuarial gain	-	-	-
Prior service cost	-	-	-
Change in deferred tax asset (liability)	29	(491)	173
Total other comprehensive income (loss)	(72)	539	(459)
Noncontrolling interests	-	-	(3)
Balance, March 31, 2015, net of tax	$ 971	$ 12,866	$ (2,240) $

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Balance, December 31, 2013, net of tax	$ 936	$ 6,789	$ (952)	$ (413)	$ 6,360
Change in unrealized appreciation of investments	136	3,803	-	-	3,939
Change in deferred acquisition costs adjustment and other	32	(256)	-	-	(224)
Change in future policy benefits	(87)	(588)	-	-	(675)
Change in foreign currency translation adjustments	-	-	(102)	-	(102)
Net actuarial gain	-	-	-	14	14
Prior service cost	-	-	-	(12)	(12)
Change in deferred tax asset (liability)	8	(174)	(56)	7	(215)
Total other comprehensive income (loss)	89	2,785	(158)	9	2,725
Noncontrolling interests	-	-	-	-	-
Balance, March 31, 2014, net of tax	$ 1,025	$ 9,574	$ (1,110)	$ (404)	$ 9,085

The following table presents the other comprehensive income reclassification adjustments for the three-month periods ended March 31, 2015 and 2014:

(in millions)	Unrealized Appreciation (Depreciation) of Fixed Maturity Investments on Which Other-Than-Temporary Credit Impairments Were Recognized	Unrealized Appreciation (Depreciation) of All Other Investments	Foreign Currency Translation Adjustments	Change in Retirement Plan Liabilities Adjustment	T
March 31, 2015					
Unrealized change arising during period	**$ (92)**	**$ 1,507**	**$ (632)**	**$ 7**	**$**
Less: Reclassification adjustments included in net income	**9**	**477**	**-**	**(24)**	
Total other comprehensive income (loss), before income tax expense (benefit)	**(101)**	**1,030**	**(632)**	**31**	
Less: Income tax expense (benefit)	**(29)**	**491**	**(173)**	**2**	
Total other comprehensive income (loss), net of income tax expense (benefit)	**$ (72)**	**$ 539**	**$ (459)**	**$ 29**	**$**
March 31, 2014					
Unrealized change arising during period	$ 89	$ 3,188	$ (102)	$ 1	$3,
Less: Reclassification adjustments included in net income	8	229	-	(1)	
Total other comprehensive income (loss), before income tax expense (benefit)	81	2,959	(102)	2	2,

Less: Income tax expense (benefit)		(8)	174	56	(7)
Total other comprehensive income (loss), net of income tax expense (benefit)	$	89 $	2,785 $	(158) $	9 $ 2,

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The following table presents the effect of the reclassification of significant items out of Accumulated other comprehensive income on the respective line items in the Condensed Consolidated Statements of Income:

	Amount Reclassified from Accumulated Other Comprehensive Income Three Months Ended March 31,		
(in millions)	**2015**	2014	Affected Line Item in the Condensed Consolidated Statements of Income
Unrealized appreciation (depreciation) of fixed maturity investments on which other-than-temporary credit impairments were recognized			
Investments	**$ 9**	$ 8	Other realized capital gains
Total	**9**	8	
Unrealized appreciation (depreciation) of all other investments			
Investments	**512**	204	Other realized capital gains
Deferred policy acquisition costs adjustment	**(35)**	35	Amortization of deferred policy acquisition costs
Future policy benefits	**-**	(10)	Policyholder benefits and losses incurred
Total	**477**	229	
Change in retirement plan liabilities adjustment			
Prior-service costs	**12**	12	*
Actuarial gains/(losses)	**(36)**	(13)	*
Total	**(24)**	(1)	
Total reclassifications for the period	**$ 462**	$ 236	

* These Accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 14 to the Condensed Consolidated Financial Statements.

12. NONCONTROLLING INTERESTS

The following table presents a rollforward of noncontrolling interests:

(in millions)	Redeemable Noncontrolling Interests	Non-redeemable Noncontrolling Interests
Three Months Ended March 31, 2015		
Balance, beginning of year	$ -	$ 374
Contributions from noncontrolling interests	-	1
Distributions to noncontrolling interests	-	(4)
Consolidation (deconsolidation)	-	7
Comprehensive income (loss):		
Net income (loss)	-	9
Foreign currency translation adjustments	-	(3)
Total other comprehensive income (loss), net of tax	-	(3)
Total comprehensive income (loss)	-	6
Other	-	4
Balance, end of period	$ -	$ 388

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Item 1 / NOTE 12. NONCONTROLLING INTERESTS

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Three Months Ended March 31, 2014				
Balance, beginning of year	$	30	$	611
Contributions from noncontrolling interests		1		5
Distributions to noncontrolling interests		-		(22)
Consolidation (deconsolidation)		(4)		(34)
Comprehensive income:				
Net income		-		3
Total comprehensive income		-		3
Other		-		(3)
Balance, end of period	$	27	$	560

13. EARNINGS PER SHARE (EPS)

The basic EPS computation is based on the weighted average number of common shares outstanding, adjusted to reflect all stock dividends and stock splits. The diluted EPS computation is based on those shares used in the basic EPS computation plus shares that would have been outstanding assuming issuance of common shares for all dilutive potential common shares outstanding, and adjusted to reflect all stock dividends and stock splits.

The following table presents the computation of basic and diluted EPS:

Three Months Ended March 31, *(dollars in millions, except per share data)*		2015		2014
Numerator for EPS:				
Income from continuing operations	$	**2,476**	$	1,659
Less: Net income from continuing operations attributable to noncontrolling interests		**9**		3
Income attributable to AIG common shareholders from continuing operations		**2,467**		1,656
Income (loss) from discontinued operations		**1**		(47)
Income (loss) attributable to AIG common shareholders from discontinued operations		**1**		(47)
Net income attributable to AIG common shareholders	$	**2,468**	$	1,609
Denominator for EPS:				
Weighted average shares outstanding — basic		**1,365,951,690**		1,459,249,393
Dilutive shares		**20,311,859**		13,261,420
Weighted average shares outstanding — diluted*		**1,386,263,549**		1,472,510,813

Income per common share attributable to AIG:		
Basic:		
Income from continuing operations	**$ 1.81**	$ 1.13
Loss from discontinued operations	**$ -**	$ (0.03)
Net income attributable to AIG	**$ 1.81**	$ 1.10
Diluted:		
Income from continuing operations	**$ 1.78**	$ 1.12
Loss from discontinued operations	**$ -**	$ (0.03)
Net income attributable to AIG	**$ 1.78**	$ 1.09

* Dilutive shares are calculated using the treasury stock method and include dilutive shares from share based employee compensation plans. The number of shares excluded from diluted shares outstanding was 0.6 and 0.3 million for the three-month periods ended March 31, 2015 and 2014, respectively, because the effect of including those shares in the calculation would have been anti-dilutive.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

14. EMPLOYEE BENEFITS

The following table presents the components of net periodic benefit cost with respect to pensions and other postretirement benefits:

	Pension			Postretirement		
(in millions)	U.S. Plans	Non-U.S. Plans	Total	U.S. Plans	Non-U.S. Plans	Total
Three Months Ended March 31, 2015						
Components of net periodic benefit cost:						
Service cost	**$ 52**	**$ 11**	**$ 63**	**$ 2**	**$ 1**	**$ 3**
Interest cost	**55**	**6**	**61**	**2**	**1**	**3**
Expected return on assets	**(72)**	**(6)**	**(78)**	**-**	**-**	**-**
Amortization of prior service (credit) cost	**(8)**	**(1)**	**(9)**	**(3)**	**-**	**(3)**
Amortization of net (gain) loss	**32**	**3**	**35**	**-**	**-**	**-**
Net periodic benefit cost	**$ 59**	**$ 13**	**$ 72**	**$ 1**	**$ 2**	**$ 3**
Three Months Ended March 31, 2014						
Components of net periodic benefit cost:						
Service cost	$ 44	$ 11	$ 55	$ 1	$ -	$ 1
Interest cost	57	7	64	2	1	3
Expected return on assets	(71)	(6)	(77)	-	-	-
Amortization of prior service (credit) cost	(8)	(1)	(9)	(2)	-	(2)
Amortization of net (gain) loss	11	2	13	-	-	-
Curtailment (gain) loss	-	-	-	-	-	-
Net periodic benefit cost	$ 33	$ 13	$ 46	$ 1	$ 1	$ 2

For the three-month period ended March 31, 2015, we contributed $56 million to our U.S. and non-U.S. pension plans and we estimate that we will contribute an additional $117 million for the remainder of 2015. These estimates are subject to change because contribution decisions are affected by various factors, including our liquidity, market performance and management discretion.

15. INCOME TAXES

Interim Tax Calculation Method

We use the estimated annual effective tax rate method in computing our interim tax provision. Certain items, including those deemed to be unusual, infrequent or that cannot be reliably estimated, are excluded from the estimated annual effective tax rate. In these cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual effective tax rate, primarily certain changes in the realizability of deferred tax assets and uncertain tax positions.

Interim Tax Expense (Benefit)

For the three-month period ended March 31, 2015, the effective tax rate on income from continuing operations was 34.4 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income, partially offset by an increase in certain deferred tax asset valuation allowances associated with foreign jurisdictions primarily attributable to changes in statutory tax rates and the net operating loss utilization statutory limitation in Japan.

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Item 1 / NOTE 15. INCOME TAXES

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For the three-month period ended March 31, 2014, the effective tax rate on income from continuing operations was 27.0 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax exempt interest income and a decrease in the U.S. Life Insurance Companies' capital loss carryforward valuation allowance from realized gains on sales of available for sale securities.

Assessment of Deferred Tax Asset Valuation Allowance

The evaluation of the recoverability of our deferred tax asset and the need for a valuation allowance requires us to weigh all positive and negative evidence to reach a conclusion that it is more likely than not that all or some portion of the deferred tax asset will not be realized. The weight given to the evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed.

Our framework for assessing the recoverability of the deferred tax asset requires us to consider all available evidence, including:

- the nature, frequency, and amount of cumulative financial reporting income and losses in recent years;

- the sustainability of recent operating profitability of our subsidiaries;

- the predictability of future operating profitability of the character necessary to realize the net deferred tax asset;

- the carryforward period for the net operating loss, capital loss and foreign tax credit carryforwards, including the effect of reversing taxable temporary differences; and

- prudent and feasible actions and tax planning strategies that would be implemented, if necessary, to protect against the loss of the deferred tax asset.

In performing our assessment of the recoverability of the deferred tax asset under this framework, we consider tax laws governing utilization of the net operating loss, capital loss and foreign tax credit carryforwards in each applicable jurisdiction. Under U.S. tax law, a company generally must use its net operating loss carryforwards before it can use its foreign tax credit carryforwards, even though the carryforward period for the foreign tax credit is shorter than for the net operating loss. Our U.S. federal consolidated income tax group includes both life and non-life companies. While U.S. tax liability of our non-life companies can be offset by the net operating loss carryforwards, only a portion of U.S. tax liability of our life companies can be offset by the net operating loss carryforwards. The remaining tax liability of our life companies can be offset by the foreign tax credit carryforwards. Accordingly, we utilize both the net operating loss and foreign tax credit carryforwards concurrently.

During the three-month period ended March 31, 2015, we recognized an increase of $85 million in our deferred tax asset valuation allowance associated with certain foreign jurisdictions, primarily attributable to changes in Japanese tax law enacted on March 31, 2015.

Tax Examinations and Litigation

On March 29, 2013, the U.S District Court for the Southern District of New York denied our motion for partial summary judgment related to the disallowance of foreign tax credits associated with cross border financing transactions. On March 17, 2014, the U.S. Court of Appeals for the Second Circuit (the Second Circuit) granted our petition for an immediate appeal of the partial summary judgment decision. Oral arguments have been scheduled for May 18, 2015.

We will vigorously defend our position and continue to believe that we have adequate reserves for any liability that could result from the IRS actions.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

We continue to monitor legal and other developments in this area and evaluate the effect, if any, on our position, including recent decisions affecting other taxpayers.

Accounting for Uncertainty in Income Taxes

At both March 31, 2015 and December 31, 2014, our unrecognized tax benefits, excluding interest and penalties, were $4.4 billion. At March 31, 2015 and December 31, 2014, our unrecognized tax benefits related to tax positions that, if recognized, would not affect the effective tax rate because they relate to such factors as the timing, rather the permissibility, of the deduction were $0.2 billion and $0.3 billion, respectively. Accordingly, at March 31, 2015 and December 31, 2014, the amounts of unrecognized tax benefits that, if recognized, would favorably affect the effective tax rate were $4.2 billion and $4.1 billion, respectively.

Interest and penalties related to unrecognized tax benefits are recognized in income tax expense. At both March 31, 2015 and December 31, 2014, we had accrued liabilities of $1.1 billion for the payment of interest (net of the federal benefit) and penalties. For the three-month periods ended March 31, 2015 and 2014, we accrued expense (benefit) of $(12) million and $20 million, respectively, for the payment of interest (net of the federal benefit) and penalties.

We regularly evaluate adjustments proposed by taxing authorities. At March 31, 2015, such proposed adjustments would not have resulted in a material change to our consolidated financial condition, although it is possible that the effect could be material to our consolidated results of operations for an individual reporting period. Although it is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months, based on the information currently available, we do not expect any change to be material to our consolidated financial condition.

16. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

The following Condensed Consolidating Financial Statements reflect the results of AIGLH, a holding company and a wholly owned subsidiary of AIG. AIG provides a full and unconditional guarantee of all outstanding debt of AIGLH.

Condensed Consolidating Balance Sheets

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Reclassifications and Eliminations	Consolidated AIG
March 31, 2015					
Assets:					
Short-term investments	$ 7,639	$ -	$ 5,239	$ (917)	$ 11,961
Other investments[(a)]	12,000	-	332,852	-	344,852
Total investments	19,639	-	338,091	(917)	356,813
Cash	65	8	1,750	-	1,823
Loans to subsidiaries[(b)]	30,016	-	559	(30,575)	-
Investment in consolidated subsidiaries[(b)]	64,739	36,372	-	(101,111)	-
Other assets, including deferred income taxes	23,297	102	145,331	(6,665)	162,065
Total assets	$ 137,756	$ 36,482	$ 485,731	$ (139,268)	$ 520,701

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Liabilities:					
Insurance liabilities	**$ -**	**$ -**	**$ 269,521**	**$ -**	**$ 269,521**
Long-term debt	**22,137**	**820**	**9,042**	**-**	**31,999**
Other liabilities, including intercompany balances[(a)(c)]	**7,087**	**59**	**107,361**	**(3,693)**	**110,814**
Loans from subsidiaries[(b)]	**553**	**-**	**30,017**	**(30,570)**	**-**
Total liabilities	**29,777**	**879**	**415,941**	**(34,263)**	**412,334**
Total AIG shareholders' equity	**107,979**	**35,603**	**69,402**	**(105,005)**	**107,979**
Non-redeemable noncontrolling interests	**-**	**-**	**388**	**-**	**388**
Total equity	**107,979**	**35,603**	**69,790**	**(105,005)**	**108,367**
Total liabilities and equity	**$ 137,756**	**$ 36,482**	**$ 485,731**	**$ (139,268)**	**$ 520,701**

December 31, 2014					
Assets:					
Short-term investments	$ 6,078	$ -	$ 6,231	$ (1,066)	$ 11,243
Other investments[(a)]	11,415	-	333,108	-	344,523
Total investments	17,493	-	339,339	(1,066)	355,766
Cash	26	91	1,641	-	1,758
Loans to subsidiaries[(b)]	31,070	-	779	(31,849)	-
Investment in consolidated subsidiaries[(b)]	62,811	35,850	-	(98,661)	-
Other assets, including deferred income taxes	23,835	2,305	141,826	(9,909)	158,057
Total assets	$ 135,235	$ 38,246	$ 483,585	$ (141,485)	$ 515,581
Liabilities:					
Insurance liabilities	$ -	$ -	$ 270,615	$ -	$ 270,615
Long-term debt	21,190	820	9,207	-	31,217
Other liabilities, including intercompany balances[(a)(c)]	6,196	2,314	108,189	(10,222)	106,477
Loans from subsidiaries[(b)]	951	-	30,898	(31,849)	-
Total liabilities	28,337	3,134	418,909	(42,071)	408,309
Total AIG shareholders' equity	106,898	35,112	64,302	(99,414)	106,898
Non-redeemable noncontrolling interests	-	-	374	-	374
Total equity	106,898	35,112	64,676	(99,414)	107,272
Total liabilities and equity	$ 135,235	$ 38,246	$ 483,585	$ (141,485)	$ 515,581

(a) Includes intercompany derivative positions, which are reported at fair value before credit valuation adjustment.

(b) Eliminated in consolidation.

(c) For March 31, 2015 and December 31, 2014, includes intercompany tax payable of $921 million and $343 million, respectively, and intercompany derivative liabilities of $88 million and $275 million, respectively, for AIG Parent (as Guarantor) and intercompany tax receivable of $34 million and $3 million, respectively, for AIGLH.

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Condensed Consolidating Statements of Income

(in millions)		American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Re
Three Months Ended March 31, 2015					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$	2,757$	773$	-$	
Other income		150	-	15,914	
Total revenues		2,907	773	15,914	
Expenses:					
Interest expense		289	16	65	
Loss on extinguishment of debt		61	-	-	
Other expenses		246	(5)	11,609	
Total expenses		596	11	11,674	
Income (loss) from continuing operations before income tax expense (benefit)		2,311	762	4,240	
Income tax expense (benefit)		(157)	(43)	1,501	
Income (loss) from continuing operations		2,468	805	2,739	
Income from discontinued operations, net of income taxes		-	-	1	
Net income (loss)		2,468	805	2,740	
Less:					
Total net income attributable to noncontrolling interests		-	-	9	
Net income (loss) attributable to AIG	$	2,468$	805$	2,731$	
Three Months Ended March 31, 2014					
Revenues:					
Equity in earnings of consolidated subsidiaries*	$	1,985$	730$	-$	
Other income		224	-	16,051	
Total revenues		2,209	730	16,051	
Expenses:					
Interest expense		422	29	61	

Loss on extinguishment of debt		288	-	-
Other expenses		242	1	12,969
Total expenses		952	30	13,030
Income (loss) from continuing operations before income tax expense (benefit)		1,257	700	3,021
Income tax expense (benefit)		(349)	(144)	1,126
Income (loss) from continuing operations		1,606	844	1,895
Income (loss) from discontinued operations, net of income taxes		3	-	(50)
Net income (loss)		1,609	844	1,845
Less:				
Total net income attributable to noncontrolling interests		-	-	3
Net income (loss) attributable to AIG	$	1,609$	844$	1,842$

* Eliminated in consolidation.

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Condensed Consolidating Statements of Comprehensive Income

(in millions)		American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries	Recla... E...
Three Months Ended March 31, 2015					
Net income (loss)	**$**	**2,468**	**$ 805**	**$ 2,740**	**$**
Other comprehensive income (loss)		**38**	**908**	**(1,061)**	
Comprehensive income (loss)		**2,506**	**1,713**	**1,679**	
Total comprehensive income attributable to noncontrolling interests		**-**	**-**	**6**	
Comprehensive income (loss) attributable to AIG	**$**	**2,506**	**$ 1,713**	**$ 1,673**	**$**
Three Months Ended March 31, 2014					
Net income (loss)	$	1,609	$ 844	$ 1,845	$
Other comprehensive income (loss)		2,725	1,494	1,849	
Comprehensive income (loss)		4,334	2,338	3,694	
Total comprehensive income attributable to noncontrolling interests		-	-	3	
Comprehensive income (loss) attributable to AIG	$	4,334	$ 2,338	$ 3,691	$

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Item 1 / NOTE 16. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statements of Cash Flows

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*
Three Months Ended March 31, 2015				
Net cash provided by operating activities	**1,111**	**284**	**2,257**	**(3,264)**
Cash flows from investing activities:				
Sales of investments	**505**	**-**	**15,995**	**(1,271)**
Purchase of investments	**(897)**	**-**	**(13,483)**	**1,271**
Loans to subsidiaries - net	**1,091**	**-**	**395**	**(1,486)**
Contributions to subsidiaries - net	**(70)**	**-**	**-**	**70**
Net change in restricted cash	**-**	**-**	**(47)**	**-**
Net change in short-term investments	**(1,035)**	**-**	**231**	**-**
Other, net	**-**	**-**	**(955)**	**-**
Net cash (used in) provided by investing activities	**(406)**	**-**	**2,136**	**(1,416)**
Cash flows from financing activities:				
Issuance of long-term debt	**2,342**	**-**	**243**	**-**
Repayments of long-term debt	**(977)**	**-**	**(916)**	**-**
Purchase of Common Stock	**(1,398)**	**-**	**-**	**-**
Intercompany loans - net	**(394)**	**-**	**(1,092)**	**1,486**
Cash dividends paid	**(170)**	**(367)**	**(2,897)**	**3,264**
Other, net	**(69)**	**-**	**411**	**(70)**
Net cash (used in) financing activities	**(666)**	**(367)**	**(4,251)**	**4,680**
Effect of exchange rate changes on cash	**-**	**-**	**(33)**	**-**
Change in cash	**39**	**(83)**	**109**	**-**
Cash at beginning of year	**26**	**91**	**1,641**	**-**
Reclassification to assets held for sale	**-**	**-**	**-**	**-**
Cash at end of period	**$ 65**	**$ 8**	**$ 1,750**	**$ -**
Three Months Ended March 31, 2014				
Net cash provided by operating activities	875	1,711	1,586	(3,409)
Cash flows from investing activities:				

Sales of investments	430	-	14,813	-
Purchase of investments	(38)	-	(14,260)	-
Loans to subsidiaries - net	295	-	53	(348)
Contributions to subsidiaries - net	40	-	-	(40)
Net change in restricted cash	(6)	-	(661)	-
Net change in short-term investments	2,027	-	1,561	-
Other, net	(16)	-	(67)	-
Net cash provided by investing activities	2,732	-	1,439	(388)

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Item 1 / NOTE 16. INFORMATION PROVIDED IN CONNECTION WITH OUTSTANDING DEBT

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Cash flows from financing activities:					
Issuance of long-term debt	-	-	1,583	-	1,583
Repayments of long-term debt	(2,196)	-	(1,085)	-	(3,281)
Intercompany loans - net	(47)	(100)	(201)	348	-
Purchase of common stock	(867)	-	-	-	(867)
Cash dividends paid to shareholders	(182)	(1,653)	(1,756)	3,409	(182)
Other, net	(285)	-	(1,297)	40	(1,542)
Net cash (used in) financing activities	(3,577)	(1,753)	(2,756)	3,797	(4,289)
Effect of exchange rate changes on cash	-	-	(11)	-	(11)
Change in cash	30	(42)	258	-	246
Cash at beginning of year	30	51	2,160	-	2,241
Change in cash of businesses held for sale	-	-	3	-	3
Cash at end of period	$ 60	$ 9	$ 2,421	$ -	$ 2,490

Supplementary Disclosure of Condensed Consolidating Cash Flow Information

(in millions)	American International Group, Inc. (As Guarantor)	AIGLH	Other Subsidiaries*	Reclassifications and Eliminations*	C
Cash (paid) received during the 2015 period for:					
Interest:					
Third party	**$ 240**	**$ (27)**	**$ (520)**	**$ -**	**$**
Intercompany	**-**	**-**	**-**	**-**	
Taxes:					
Income tax authorities	**$ (1)**	**$ -**	**$ (139)**	**$ -**	**$**
Intercompany	**291**	**-**	**(291)**	**-**	
Cash (paid) received during the 2014 period for:					
Interest:					
Third party	$ (363)	$ (41)	$ (436)	$ -	$
Intercompany	(1)	(4)	5	-	
Taxes:					
Income tax authorities	$ (3)	$ -	$ (162)	$ -	$
Intercompany	289	-	(289)	-	

American International Group, Inc. (As Guarantor) supplementary disclosure of non-cash activities:

Three Months Ended March 31, *(in millions)*		2015		2014
Intercompany non-cash financing and investing activities:				
Capital contributions	$	111	$	993
Dividends received in the form of securities		140		-

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Item 1 / NOTE 17. SUBSEQUENT EVENTS

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

17. SUBSEQUENT EVENTS

Debt Repurchases

In April 2015, we repurchased, through cash tender offers and privately negotiated transactions, $61 million aggregate principal amount of certain DIB senior notes guaranteed by AIG for an aggregate purchase price of approximately $66 million using cash allocated to the DIB. In addition, in April 2015, we repurchased, through cash tender offers, approximately $915 million aggregate principal amount of certain junior subordinated debentures issued or guaranteed by AIG for an aggregate purchase price of approximately $1.25 billion.

Dividends Declared and Increase in Share Repurchase Authorization

On April 30, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on June 25, 2015 to shareholders of record on June 11, 2015. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, including the regulatory framework applicable to us.

On April 30, 2015, our Board of Directors authorized an additional increase to its previous repurchase authorization of AIG Common Stock of $3.5 billion, resulting in an aggregate remaining authorization on such date of approximately $3.8 billion. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

See Note 11 to the Condensed Consolidated Financial Statements.

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ITEM 2 / MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), we use certain terms and abbreviations which are summarized in the Glossary and Acronyms.

American International Group, Inc. (AIG) has incorporated into this discussion a number of cross-references to additional information included throughout this Quarterly Report on Form 10-Q and in the 2014 Annual Report to assist readers seeking additional information related to a particular subject.

In this Quarterly Report on Form 10-Q, unless otherwise mentioned or unless the context indicates otherwise, we use the terms "AIG," the "Company," "we," "us" and "our" to refer to American International Group, Inc., a Delaware corporation, and its consolidated subsidiaries. We use the term "AIG Parent" to refer solely to American International Group, Inc., and not to any of its consolidated subsidiaries.

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This Quarterly Report on Form 10-Q and other publicly available documents may include, and officers and representatives of American International Group, Inc. (AIG) may from time to time make, projections, goals, assumptions and statements that may constitute "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These projections, goals, assumptions and statements are not historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. These projections, goals, assumptions and statements include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan," "view," "target" or "estimate." These projections, goals, assumptions and statements may address, among other things, our:

- exposures to subprime mortgages, monoline insurers, the residential and commercial real estate markets, state and municipal bond issuers, sovereign bond issuers, the energy sector and currency exchange rates;
- exposure to European governments and European financial institutions;
- strategy for risk management;
- generation of deployable capital;
- return on equity and earnings per share;
- strategies to grow net investment income, efficiently manage capital and reduce expenses;
- strategies for customer retention, growth, product development, market position, financial results and reserves; and
- subsidiaries' revenues and combined ratios.

It is possible that our actual results and financial condition will differ, possibly materially, from the results and financial condition indicated in these projections, goals, assumptions and statements. Factors that could cause our actual results to differ, possibly materially, from those in the specific projections, goals, assumptions and statements include:

- changes in market conditions;
- the occurrence of catastrophic events, both natural and man-made;
- significant legal proceedings;
- the timing and applicable requirements of any new regulatory framework to which we are subject as a nonbank systemically important financial institution (SIFI) and as a global systemically important insurer (G SII);
- concentrations in our investment portfolios;
- actions by credit rating agencies;
- judgments concerning casualty insurance underwriting and insurance liabilities;
- judgments concerning the recognition of deferred tax assets; and
- such other factors discussed in:
- Part I, Item 2. MD&A of this Quarterly Report on Form 10 Q; and
- Part I, Item 1A. Risk Factors and Part II, Item 7. MD&A of our Annual Report on Form 10 K for the year ended December 31, 2014 (2014 Annual Report).

We are not under any obligation (and expressly disclaim any obligation) to update or alter any projections, goals, assumptions or other statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

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Item 2 / USE OF NON-GAAP MEASURES

Throughout this MD&A, we present our financial condition and results of operations in the way we believe will be most meaningful and representative of our business results. Some of the measurements we use are "non GAAP financial measures" under SEC rules and regulations. GAAP is the acronym for "accounting principles generally accepted in the United States." The non GAAP financial measures we present may not be comparable to similarly named measures reported by other companies.

Book Value Per Share Excluding Accumulated Other Comprehensive Income (AOCI) and Book Value Per Share Excluding AOCI and Deferred Tax Assets (DTA) are used to show the amount of our net worth on a per-share basis. We believe these measures are useful to investors because they eliminate the effect of non-cash items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. Deferred tax assets represent U.S. tax attributes related to net operating loss carryforwards and foreign tax credits. Amounts are estimates based on projections of full-year attribute utilization. Book Value Per Share Excluding AOCI is derived by dividing Total AIG shareholders' equity, excluding AOCI, by Total common shares outstanding. Book Value Per Share Excluding AOCI and DTA is derived by dividing Total AIG shareholders' equity, excluding AOCI and DTA, by Total common shares outstanding. The reconciliation to book value per common share, the most comparable GAAP measure, is presented in the Executive Overview section of this MD&A.

Return on Equity – After-tax Operating Income Excluding AOCI and Return on Equity – After-tax Operating Income Excluding AOCI and DTA are used to show the rate of return on shareholders' equity. We believe these measures are useful to investors because they eliminate the effect of non-cash items that can fluctuate significantly from period to period, including changes in fair value of our available for sale securities portfolio, foreign currency translation adjustments and U.S. tax attribute deferred tax assets. Deferred tax assets represent U.S. tax attributes related to net operating loss carryforwards and foreign tax credits. Amounts are estimates based on projections of full-year attribute utilization. Return on Equity – After-tax Operating Income Excluding AOCI is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI. Return on Equity – After-tax Operating Income Excluding AOCI and DTA is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI and DTA. The reconciliation to return on equity, the most comparable GAAP measure, is presented in the Executive Overview section of this MD&A.

We use the following operating performance measures because we believe they enhance the understanding of the underlying profitability of continuing operations and trends of our business segments. We believe they also allow for more meaningful comparisons with our insurance competitors. When we use these measures, reconciliations to the most comparable GAAP measure are provided in the Results of Operations section of this MD&A on a consolidated basis.

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Item 2 / USE OF NON-GAAP MEASURES

After-tax operating income attributable to AIG is derived by excluding the following items from net income attributable to AIG:

• deferred income tax valuation allowance releases and charges; • changes in fair value of fixed maturity securities designated to hedge living benefit liabilities (net of interest expense); • changes in benefit reserves and deferred policy acquisition costs (DAC), value of business acquired (VOBA), and sales inducement assets (SIA) related to net realized capital gains and losses; • other income and expense — net, related to Corporate and Other run-off insurance lines; • loss on extinguishment of debt; • net realized capital gains and losses; • non qualifying derivative hedging activities, excluding net realized capital gains and losses;	• income or loss from discontinued operations; • income and loss from divested businesses, including: • gain on the sale of International Lease Finance Corporation (ILFC); and • certain post-acquisition transaction expenses incurred by AerCap Holdings N.V. (AerCap) in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to the remaining economic life of the related aircraft and related tax effects; • legacy tax adjustments primarily related to certain changes in uncertain tax positions and other tax adjustments; and • legal reserves and settlements related to legacy crisis matters, which include favorable and unfavorable settlements related to events leading up to and resulting from our September 2008 liquidity crisis and legal fees incurred as the plaintiff in connection with such legal matters.

We use the following operating performance measures within our Commercial Insurance and Consumer Insurance reportable segments as well as Corporate and Other.

• ***Commercial Insurance: Property Casualty and Mortgage Guaranty; Consumer Insurance: Personal Insurance***

• **Pre tax operating income** includes both underwriting income and loss and net investment income, but excludes net realized capital gains and losses, other income and expense — net and legal settlements related to legacy crisis matters described above. Underwriting income and loss is derived by reducing net premiums earned by losses and loss adjustment expenses incurred, acquisition expenses and general operating expenses.

- **Ratios:** We, along with most property and casualty insurance companies, use the loss ratio, the expense ratio and the combined ratio as measures of underwriting performance. These ratios are relative measurements that describe, for every $100 of net premiums earned, the amount of losses and loss adjustment expenses, and the amount of other underwriting expenses that would be incurred. A combined ratio of less than 100 indicates underwriting income and a combined ratio of over 100 indicates an underwriting loss. The underwriting environment varies across countries and products, as does the degree of litigation activity, all of which affect such ratios. In addition, investment returns, local taxes, cost of capital, regulation, product type and competition can have an effect on pricing and consequently on profitability as reflected in underwriting income and associated ratios.

- **Accident year loss and combined ratios, as adjusted:** both the accident year loss and combined ratios, as adjusted, exclude catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting. Catastrophe losses are generally weather or seismic events having a net impact in excess of $10 million each.

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Item 2 / USE OF NON-GAAP MEASURES

• ***Commercial Insurance: Institutional Markets; Consumer Insurance: Retirement and Life***

• **Pre tax operating income** is derived by excluding the following items from pre tax income:

• changes in fair values of fixed maturity securities designated to hedge living benefit liabilities (net of interest expense);	• changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains and losses; and
• net realized capital gains and losses;	• legal settlements related to legacy crisis matters described above.

• **Premiums and deposits:** includes direct and assumed amounts received and earned on traditional life insurance policies, group benefit policies and life contingent payout annuities, as well as deposits received on universal life, investment type annuity contracts and mutual funds.

• ***Corporate and Other — Pre tax operating income and loss*** is derived by excluding the following items from pre tax income and loss:

• loss on extinguishment of debt; • net realized capital gains and losses; • changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains and losses; • income and loss from divested businesses, including Aircraft Leasing;	• net gain or loss on sale of divested businesses, including: • gain on the sale of ILFC; and • certain post-acquisition transaction expenses incurred by AerCap in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to the remaining economic life of the related aircraft and our share of AerCap's income taxes; and • certain legal reserves (settlements) related to legacy crisis matters described above.

Results from discontinued operations are excluded from all of these measures.

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Item 2 / EXECUTIVE OVERVIEW

This overview of the MD&A highlights selected information and may not contain all of the information that is important to current or potential investors in AIG's securities. You should read this Quarterly Report on Form 10 Q, together with the 2014 Annual Report, in its entirety for a complete description of events, trends, uncertainties, risks and critical accounting estimates affecting us.

We report our results of operations as follows:

• **Commercial Insurance** – Commercial Insurance offers insurance products and services to commercial and institutional customers worldwide. Commercial Insurance product lines include Casualty, Property, Specialty, Financial, mortgage insurance, stable value wraps, structured settlement and terminal funding annuities. Commercial Insurance products are distributed through a diversified multichannel distribution network that includes insurance brokers, banks, mortgage lenders, specialized marketing and consulting firms.

• **Consumer Insurance** – Consumer Insurance offers a broad portfolio of retirement, life insurance and property casualty products and services to individuals and groups. Consumer Insurance products include term life, whole life, universal life, accident & health (A&H), variable and index annuities, fixed annuities, group retirement plans, mutual funds, financial planning, automobile and homeowners insurance, travel insurance, and warranty and service programs. Consumer Insurance offers its products and services through a diverse, multi-channel distribution network that includes broker-dealers, agencies and independent marketing organizations, banks, brokers, partnerships, travel agents, affiliated agents and financial advisors, and direct-to-consumer platforms.

• **Corporate and Other** – Corporate and Other includes results from the following:

• **Direct Investment book (DIB)**, including the Matched Investment Program (MIP) and certain non-derivative assets and liabilities of AIG Financial Products Corp. and related subsidiaries (collectively, AIGFP);

• **Global Capital Markets (GCM)** operations, consisting of the operations of AIG Markets, Inc. (AIG Markets) and the remaining derivative portfolio of AIGFP;

• **AIG Parent and Other** consisting primarily of interest expense, consolidation and eliminations, expenses of corporate staff not attributable to specific reportable segments, certain expenses related to internal controls and the financial and operating platforms, corporate initiatives, certain compensation plan expenses, corporate level realized capital gains and losses, certain litigation-related charges and credits, and equity in the earnings of AerCap Holdings N.V. (AerCap);

- **Run-off Insurance Business** consisting primarily of run-off lines of business, including excess workers' compensation, asbestos and legacy environmental (1986 and prior), certain environmental liability businesses written prior to 2004 and certain long-duration business, primarily in Japan and the U.S.; and

- **Other Businesses** consisting of investments in life settlements, real estate investment operations, institutional asset management operations, equipment financing operations and our remaining consumer finance business.

As the DIB and the remaining derivatives portfolio of AIGFP continue to wind down consistent with AIG's risk management strategy, AIG expects to discontinue reporting the DIB and GCM as separate components of Corporate and Other. The change in reporting will align the management of the risks and liquidity of the remaining DIB and GCM assets, liabilities and derivatives with that of other AIG Parent assets, liabilities and derivatives. Certain liabilities of the DIB that are designated as "liabilities supported by assets" will continue to be managed and reported as such. AIG Markets will continue to act as the derivatives intermediary between AIG and its subsidiaries and third parties with the earnings, liquidity and risk related to those derivative activities reported together with the related assets and liabilities.

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Item 2 / EXECUTIVE OVERVIEW

Financial Performance

Commercial Insurance pre tax operating income increased in the first quarter of 2015 compared to the same period in the prior year primarily due to improved underwriting results in Property Casualty and Mortgage Guaranty partially offset by reduced net investment income in Property Casualty and Institutional Markets.

Consumer Insurance pre-tax operating income decreased in the first quarter of 2015 compared to the same period in the prior year, which reflected lower net investment income, primarily from lower returns on alternative investments and lower base yields, and higher operating expenses and less favorable mortality in Life than in the same period in the prior year. These items were partially offset by growth in policy fees, principally driven by growth in assets under management, which reflected strong sales of variable and index annuities and favorable separate account performance in Retirement.

Our investment portfolio performance declined in the first quarter of 2015 compared to the same period in the prior year due to lower reinvestment yields and lower income on alternative investments.

Net realized capital gains increased in the first quarter of 2015 compared to the same period in the prior year due to higher capital gains from sales of investments and fair value gains on embedded derivatives related to variable annuity guarantee features, net of hedges, compared to fair value losses in the same period in the prior year, partially offset by an increase in other-than-temporary impairment charges.

Our Performance – Selected Indicators

Three Months Ended March 31, *(in millions, except per share data and ratios)*	2015	2014
Results of operations data:		
Total revenues	$ 15,975	$ 16,163
Income from continuing operations	2,476	1,659
Net income attributable to AIG	2,468	1,609
Net income per common share attributable to AIG (diluted)	1.78	1.09
After-tax operating income attributable to AIG	1,691	1,741
After-tax operating income per common share attributable to AIG (diluted)	1.22	1.18
Key metrics:		

Commercial Insurance		
Pre-tax operating income	**1,462**	1,421
Property Casualty combined ratio	**97.1**	98.9
Property Casualty accident year combined ratio, as adjusted	**93.4**	94.7
Property Casualty net premiums written	**$ 5,047**	$ 5,006
Mortgage Guaranty domestic first-lien new insurance written	**10,542**	7,605
Institutional Markets premiums and deposits	**146**	147
Consumer Insurance		
Pre-tax operating income	**945**	1,168
Personal Insurance combined ratio	**103.2**	103.0
Personal Insurance accident year combined ratio, as adjusted	**100.8**	100.8
Personal Insurance net premiums written	**$ 2,915**	$ 3,128
Retirement premiums and deposits	**5,509**	6,003
Life premiums and deposits	**1,223**	1,187
Life Insurance Companies assets under management	**340,785**	324,426

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Item 2 / EXECUTIVE OVERVIEW

(in millions, except per share data)	**March 31, 2015**	December 31, 2014
Balance sheet data:		
Total assets	**$520,701**	$ 515,581
Long-term debt	**31,999**	31,217
Total AIG shareholders’ equity	**107,979**	106,898
Book value per common share	**80.16**	77.69
Book value per common share, excluding AOCI	**72.25**	69.98
Book value per common share, excluding AOCI and DTA	**60.69**	58.23

	Three Months Ended March 31,		Year Ended December 31,
	2015	2014	2014
Return on equity	**9.2%**	6.3%	7.1%
Return on equity - after-tax operating income, excluding AOCI	**7.0**	7.4	6.9
Return on equity - after-tax operating income, excluding AOCI and DTA	**8.4**	9.1	8.4

The following table presents a reconciliation of Book value per common share to Book value per common share, excluding AOCI, and Book value per common share, excluding AOCI and DTA, which are non-GAAP measures. See Use of Non GAAP Measures for additional information.

(in millions, except per share data)	**March 31, 2015**	December 31, 2014
Total AIG shareholders' equity	**$ 107,979**	$ 106,898
Accumulated other comprehensive income	**10,657**	10,617
Total AIG shareholders' equity, excluding AOCI	**97,322**	96,281
Deferred tax assets	**15,566**	16,158
Total AIG shareholders' equity, excluding AOCI and DTA	**$ 81,756**	$ 80,123
Total common shares outstanding	**1,347,077,587**	1,375,926,971
Book value per common share	**$ 80.16**	$ 77.69
Book value per common share, excluding AOCI	**72.25**	69.98
Book value per common share, excluding AOCI and DTA	**$ 60.69**	$ 58.23

The following table presents a reconciliation of Return on equity to Return on equity, after-tax operating income, excluding AOCI, and Return on equity, after-tax operating income, excluding AOCI and DTA, which are non-GAAP measures. See Use of Non GAAP Measures for additional information.

(in millions)	Three Months Ended March 31, **2015**	2014	Year Ended December 31, 2014
Actual or annualized net income attributable to AIG	**$ 9,872**	$ 6,436	$ 7,529
Actual or annualized after-tax operating income attributable to AIG	**6,764**	6,964	6,630
Average AIG Shareholders' equity	**107,439**	102,152	105,589
Average AOCI	**10,637**	7,723	9,781
Average AIG Shareholders' equity, excluding average AOCI	**96,802**	94,429	95,808
Average DTA	**15,862**	17,658	16,611
Average AIG Shareholders' equity, excluding average AOCI and DTA	**$ 80,940**	$ 76,771	$ 79,197
ROE	**9.2%**	6.3%	7.1%
ROE - after-tax operating income, excluding AOCI	**7.0**	7.4	6.9
ROE - after-tax operating income, excluding AOCI and DTA	**8.4**	9.1	8.4

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Item 2 / EXECUTIVE OVERVIEW

Total revenues

(in millions)

Income from continuing operations

(in millions)

Net income ATTRIBUTABLE TO AIG

(in millions)

Net INCOME PER COMMON SHARE ATTRIBUTABLE TO AIG (DILUTED)

after-tax operating income attributable to aig (excludes net realized capital gains and certain other items)

(in millions)

Pre-tax operating income (loss) by segment

(in millions)

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Item 2 / EXECUTIVE OVERVIEW

TOTAL ASSETS *(in millions)*		**Long-term debt** *(in millions)*
Total AIG shareholders' equity *(in millions)*		**Book value per COMMON share, book value per common share excluding AOCI and book value per common share excluding AOCI and dta**

* Includes operating borrowings of other subsidiaries and consolidated investments and hybrid debt securities.

Investment Highlights

Net investment income decreased 9 percent to $3.8 billion in the first quarter of 2015 compared to the same period in the prior year due to lower reinvestment yields and lower income on alternative investments. While corporate debt securities represented the core of new investment allocations, we continued to make investments in structured securities and other fixed income securities with favorable risk versus return characteristics to improve yields and increase net investment income.

Net unrealized gains in our available for sale portfolio increased to approximately $20.8 billion as of March 31, 2015 from approximately $19.0 billion as of December 31, 2014 due to a decline in interest rates and narrowing of credit spreads.

The overall credit rating of our fixed maturity securities portfolio remains largely unchanged from December 31, 2014.

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Liquidity and Capital Resources Highlights

We maintained financial flexibility at AIG Parent in the first quarter of 2015 through $800 million in dividends in the form of cash and fixed maturity securities from our Non-Life Insurance Companies and $2.4 billion in dividends and loan repayments in the form of cash and fixed maturity securities from our Life Insurance Companies. The dividends that AIG Parent received in the first quarter of 2015 included $2.8 billion of dividends that were declared during the fourth quarter of 2014.

Our Board of Directors increased our share repurchase authorization of AIG Common Stock, par value $2.50 per share (AIG Common Stock), by an additional $3.5 billion on April 30, 2015, resulting in an aggregate remaining authorization at such time of approximately $3.8 billion of AIG Common Stock. During the first quarter of 2015, we repurchased approximately 29 million shares of AIG Common Stock for an aggregate purchase price of approximately $1.4 billion. The total number of shares of AIG Common Stock repurchased in the first quarter of 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth quarter of 2014. Pursuant to an Exchange Act Rule 10b5-1 plan, from April 1 to April 30, 2015, we have repurchased approximately $0.8 billion of additional shares of AIG Common Stock.

We paid a cash dividend on AIG Common Stock of $0.125 per share on March 26, 2015.

Our Board of Directors declared a cash dividend on AIG Common Stock on April 30, 2015 of $0.125 per share, payable on June 25, 2015 to shareholders of record on June 11, 2015.

Industry Trends

Our business is affected by industry and economic factors such as interest rates, currency exchange rates, credit and equity market conditions, catastrophic claims events, regulation, tax policy, competition, and general economic, market and political conditions. We continue to operate under difficult market conditions in 2015, characterized by factors such as historically low interest rates, instability in the global markets and slowing growth in emerging markets, China and Euro-Zone economies.

Interest rates remain low relative to historical levels, which has affected our industry by reducing investment returns. In addition, current market conditions may not necessarily permit insurance companies to increase pricing across all our product lines.

Currency volatility in the first quarter of 2015 was particularly acute compared to the same period in the prior year, as the three major foreign currencies that we transact in weakened considerably against the U.S. dollar. Such volatility affects line item components of income for those businesses having meaningful international operations. In particular, growth trends in net premiums written reported in U.S. dollars can differ significantly from those measured in original currencies. The net effect on pre-tax operating income, however, is significantly mitigated, as both revenues and expenses are similarly affected.

These currencies may continue to fluctuate throughout the year, in either direction, and such fluctuations will affect net premiums written growth trends reported in U.S. dollars.

See Results of Operations – Segment Results – First Quarter Pre-Tax Income Comparison for 2015 and 2014; Results of Operations – Commercial Insurance – Property Casualty Net Premiums Written by Region; and Results of Operations – Consumer Insurance – Personal Insurance Net Premiums Written by Region.

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AIG is focused on the following priorities for 2015:

- Improve our focus on our customers to understand their challenges and to help solve their problems;
- Simplify our operations, which will lead to quicker, better decisions; bring us closer to our customers; and reduce costs;
- Improve our technology infrastructure to better serve customers and distribution partners, increase productivity, reduce expenses, and better position ourselves against our competitors; and
- Concentrate on activities that increase our intrinsic value and sustainable profitability.

The outlook for each of our businesses and management initiatives to improve growth and performance in 2015 and over the longer term is summarized below. See our 2014 Annual Report for additional information concerning strategic initiatives and opportunities for each of our businesses.

COMMERCIAL INSURANCE Strategic initiatives and Outlook

Customer — Strive to be our customers' most valued insurer by offering innovative products, superior service and access to an extensive global network.

Strategic Growth — Grow our higher-value businesses while investing in transformative opportunities.

Underwriting Excellence — Improve our business portfolio through better pricing and risk selection by using enhanced data, analytics and the application of science to deliver superior risk adjusted returns.

Claims Excellence — Improve claims processes, analytics and tools to deliver superior customer service and decrease our loss ratio.

Operational Effectiveness — Continue initiatives to modernize our technology and infrastructure; implement best practices to improve speed and quality of service.

Capital Efficiency — Increase capital fungibility and diversification, streamline our legal entity structure, optimize reinsurance and improve tax efficiency.

Investment Strategy — Increase asset diversification and take advantage of yield enhancement opportunities to meet our capital, liquidity, risk and return objectives.

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Market Conditions and Industry Trends

Commercial Insurance expects the current low interest rate environment relative to historical levels, currency volatility, and ongoing uncertainty in global economic conditions will continue to challenge the growth of net investment income and limit growth in some markets. Due to these conditions and overcapacity in the property casualty insurance industry, Commercial Insurance has sought to modify terms and conditions, grow profitable segments of the business, exit unprofitable businesses and develop advanced data analytics to improve profitability.

Property Casualty

Property Casualty has observed improving trends in certain key indicators that may offset the effect of current economic challenges. In the first quarter of 2015, the property casualty insurance industry experienced modest growth as a result of gross national product growth in the U.S. and an increase in overall exposures in certain markets. Property Casualty also expects that expansion in certain growth economies will occur at a faster pace than in developed countries, although at levels lower than those previously expected due to revised economic assumptions.

Since the second quarter of 2014, within the U.S. commercial property business, Property Casualty observed continued rate pressure in the U.S. Excess and Surplus lines market, particularly with respect to its natural catastrophe-exposed business. Property Casualty continues to differentiate its capacity from its peers by leveraging management's significant experience with catastrophic events, providing loss prevention expertise and maintaining discipline in pricing to internal targets despite intense competition.

In the U.S., Property Casualty's exposure to terrorism risk is mitigated by the Terrorism Risk Insurance Act (TRIA) in addition to limited private reinsurance protections. For additional information on TRIA, see Item 1A. Risk Factors — Reserves and Exposures and Item 7. MD&A — Enterprise Risk Management — Insurance Operations Risks — Non-Life Insurance Companies Key Insurance Risks — Terrorism Risk in our 2014 Annual Report.

Mortgage Guaranty

During the first quarter of 2015, the U.S. market experienced an increase in mortgage loan originations primarily driven by a reduction in residential mortgage interest rates. If reduced interest rates persist

Mortgage Guaranty expects to benefit through increased volume driven by both refinancing activity for policies prior to 2012 and purchase volume. Mortgage Guaranty also expects then-prevailing low mortgage interest rates to have a favorable impact on the persistency of business written in 2012 and 2013, since refinancing those mortgages would be unattractive to homeowners who originated mortgages at the lower residential mortgage interest rates prevalent during that period.

Mortgage Guaranty also expects that newly reported delinquencies will continue to decline during 2015. Mortgage Guaranty believes the combination of the factors described above will result in favorable operating results for the remainder of 2015.

On July 10, 2014, the Federal Housing Finance Agency, the conservator of Fannie Mae and Freddie Mac (collectively, the GSEs) issued in draft form for public comment new eligibility requirements for private mortgage insurers that provide insurance on loans owned or guaranteed by them. On April 17, 2015, the final eligibility requirements were issued. The new requirements, which will be effective on December 31, 2015, will mandate mortgage insurers to hold specified levels and types of assets in order to be able to pay a prescribed level of claims in certain stress scenarios. Mortgage Guaranty will meet these requirements on the effective date. These new requirements are not expected to have a material effect on AIG's financial flexibility.

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Institutional Markets

Institutional Markets is expected to continue growing its assets under management from the stable value wrap business, as well as from disciplined growth through the pursuit of select opportunities related to pension buyouts and GICs.

Strategic Initiatives

Customer

Commercial Insurance strives to be our customers' most valued insurer. Our investments in engineering, underwriting, claims services, science and data together are intended to help offer our customers not only innovative products, superb service and access to an extensive global network but also a superior and rewarding customer experience which can be demonstrated through the implementation of our OneClaim system, a single, global platform to manage the end-to-end claims processing lifecycle for more efficient claims services.

Strategic Growth

Property Casualty's efforts to better segment its business by industry, geography and type of coverage in order to enhance its decision making regarding risk acceptance and pricing are ongoing. For example, within workers' compensation, Property Casualty has observed different experience and trends based on this segmentation, which helps inform its risk appetite, pricing and loss mitigation decisions.

As part of our strategic goal of diversifying our product offerings and providing our customers greater access to unique insurance programs, on March 31, 2015, we acquired for approximately $239 million a controlling stake in NSM Insurance Group (NSM), a leading U.S. managing general agent and insurance program administrator, known for its unique development and implementation of programs for a broad range of niche customer segments. We expect the acquisition of NSM to facilitate closer strategic coordination and provide us with access to attractive markets including programs, specialty small commercial insurance solutions, and complementary distribution networks.

Mortgage Guaranty expects to continue as a leading provider of mortgage insurance and seeks to differentiate itself from its competitors by utilizing its proprietary risk-based pricing strategy. This pricing strategy provides Mortgage Guaranty's customers with mortgage insurance products that are priced commensurate with the underwriting risk, which we believe will result in an appropriately priced, high-quality book of business.

Institutional Markets is expected to continue contributing to growth in assets under management with stable value wraps and utilizing a disciplined approach to growth and diversification of our business by pursuing select opportunities in areas such as the pension buyout business.

Capital Efficiency

Commercial Insurance continues to execute capital management initiatives by enhancing broad based risk tolerance guidelines for its operating units, implementing underwriting strategies to increase return on equity by line of business and reducing exposure to businesses with inadequate pricing and increased loss trends. In addition, Commercial Insurance remains focused on enhancing its global reinsurance strategy to improve overall capital efficiency, although this strategy may lead to periodic income statement volatility.

We also continue to streamline our legal entity structure to enhance transparency for regulators and optimize capital and tax efficiency, particularly with respect to the Non-Life Insurance Companies in the Property Casualty and Personal Insurance

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operating segments. Our legal entity restructuring initiatives have enhanced dividend capacity and reduced required capital. Additionally, the restructuring allows us to simplify our reinsurance arrangements, which further facilitate increased capital optimization. We expect our overall legal entity restructuring to be substantially completed in 2016, subject to regulatory approvals in the relevant jurisdictions.

consumer insurance STRATEGIC INITIATIVES AND Outlook

Customer — Strive to be our customers' most valued insurer. Through our unique franchise, which brings together a broad portfolio of retirement, life insurance and personal insurance products offered through multiple distribution networks, Consumer Insurance aims to provide customers with the products they need, delivered through the channels they prefer.

Information-driven Strategy — Utilize customer insight, analytics and the application of science to optimize customer acquisition, product profitability, product mix, channel performance and risk management capabilities.

Focused Growth — Invest in areas where Consumer Insurance can grow profitably and sustainably. Target growth in select markets according to market size, growth potential, market maturity and customer demographics.

Operational Effectiveness — Simplify processes, enhance operating environments, and leverage the best platforms and tools for multiple operating segments to increase competitiveness, improve service and product capabilities and facilitate delivery of our target customer experience.

Investment Strategy — Maintain a diversified, high quality portfolio of fixed maturity securities that largely matches the duration characteristics of the related insurance liabilities, and pursue yield-enhancement opportunities that meet liquidity, risk and return objectives.

Profitability and Capital Management — Deliver solid earnings through disciplined pricing and expense management, sustainable underwriting improvements and diversification of risk, and increase capital efficiency within insurance entities to enhance return on equity.

Market Conditions and Industry Trends

Retirement

Increasing life expectancy and reduced expectations for traditional retirement income from defined benefit programs and fixed income securities are leading Americans to seek financial security as they approach retirement, which continues to drive demand for individual variable and fixed index annuities with guaranteed income features. In addition, higher tax rates and a desire for better investment returns have prompted less risk-averse investors to seek products without guaranteed benefits, providing the opportunity to further diversify our product portfolio by offering investment-focused variable annuities.

The sustained low interest rate environment has a significant impact on the annuity industry. Low long-term interest rates put pressure on long-term investment returns, which may negatively affect sales of interest rate sensitive products and reduce future profits on certain existing fixed rate products. In addition, more highly leveraged competitors have entered the market offering higher crediting rates. As long as the low interest rate environment continues, conditions will be challenging for the fixed annuity market. Rapidly rising interest rates could create the potential for increased surrenders. Customers are, however, currently buying fixed annuities with longer surrender periods in pursuit of higher returns, which may lessen the rate of increase in surrenders in a rapidly rising rate environment.

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In April 2015, the U.S. Department of Labor (DOL) issued a proposed regulation that would, if finalized in current form, substantially expand the range of activities that would be considered to be fiduciary investment advice under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code. If finalized as proposed, the investment-related information and support that our advisors and employees could provide to ERISA covered plan sponsors, participants and IRA holders on a non-fiduciary basis could be substantially limited from what is allowed under current law. This could have a material impact on the types, levels and compensation structures of the investment products and services we provide. We expect this proposal, which supersedes a prior proposal issued by the DOL in 2010, to generate substantial public comment. It is too early to know whether or how any final regulation may be different from the proposal and any potential effect on our businesses is undeterminable at this time.

Life

Populations are living longer and have increased needs for financial protection for beneficiaries, estate planning and wealth creation. The Life operating segment addresses these needs with a broad spectrum of products, ranging from the pure protection focus of term life to indexed universal life and investment-oriented products such as variable universal life. Market factors, primarily low interest rates and regulatory changes, have caused the universal life market to shift its focus from guaranteed universal life to indexed universal life products that offer cash accumulation and living benefit options.

Personal Insurance

The overall rate level has improved in the Japanese and certain U.S. markets for auto, personal property, and accident and health products compared to prior years. In Japan, car and home sales increased in the first quarter of 2014 prior to a consumption tax increase, but prospectively, overall market sales are expected to return to normal levels. In the U.S., rate level changes for auto and personal property products are expected to be positive but slow, with sales increasing as the economy continues to recover. Our Personal Insurance operating segment expects to increase its investment in growth economy nations that have a higher growth outlook for personal insurance products.

Strategic Initiatives

Customer

We intend to expand relationships with key distribution partners to fully realize the benefits of our diverse product offerings across multiple channels. Our focus on ease of doing business for consumers and producers includes enhancements to our platforms and services, as well as initiatives to improve the recruitment, training and productivity of our affiliated and non-affiliated distribution partners.

Information-driven Strategy

We intend to continue to strengthen our direct marketing capabilities through the use of analytics, stronger platforms and tools, an enhanced product portfolio and expanded relationships allowing us to bring more product solutions to our target markets.

We intend to achieve rate adequacy through implementation of global underwriting practices and enhanced tools and analytics. We intend to optimize the value of our business lines through product and portfolio management and refined technical pricing. We intend to continue to enhance the customer experience and efficiency through claims best practices, and to deploy enhanced operating structures and standardized processes and systems, while managing claims-handling efficiency.

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Focused Growth

Retirement Income Solutions intends to continue capitalizing on the opportunity to meet consumer demand for guaranteed income by maintaining competitive variable annuity product offerings while managing risk through innovative product design and well-developed economic hedging capabilities. Risk mitigation features of its variable annuity product design include guaranteed minimum withdrawal benefit rider fees that are indexed to an equity market volatility index, required minimum allocations to fixed accounts, and the utilization of volatility control funds. Retirement Income Solutions has a dynamic risk management hedging program and continues to invest in market risk management capabilities. Retirement Income Solutions is also focused on diversifying its product portfolio by growing sales of fixed index annuities with guarantee features, which provide additional income solutions for consumers approaching retirement, and introducing new investment-focused variable annuities, which offer various investment options, including alternative asset classes, as well as tax deferral to investors seeking higher returns.

Fixed Annuities sales will continue to be challenged by the low interest rate environment. Sales of fixed annuities could improve if interest rates rise and the yield curve steepens, as these market conditions make fixed annuity products more attractive compared to alternatives such as bank deposits. The growing market for immediate and deferred income products, driven by customers seeking guaranteed income products, provides an opportunity for Fixed Annuities to increase the diversification of its product portfolio.

Life will continue to invest to position for growth and serve its customers more effectively, and maintain pricing discipline in its overall strategy. Internationally, Life intends to expand its business in Japan, the United Kingdom and certain other countries through a focused strategy in selected markets and products by combining global expertise with local market intelligence to meet the needs of consumers in these target markets.

We acquired Ageas Protect Limited (now known as AIG Life Limited) on December 31, 2014 from international insurer Ageas Group for approximately $308 million. AIG Life Limited is a leading provider of life protection products in the United Kingdom, recognized in its market for product innovation, the effective use of technology and high quality service. We expect this acquisition to enhance our global Consumer Insurance business and strengthen our presence in the United Kingdom, where we already offer personal accident, health and travel insurance coverage, as well as customized insurance solutions for high net worth individuals through AIG Private Client Group.

On March 31, 2015, we acquired Laya Healthcare, Ireland'ssecond largest primary health insurance provider. Laya Healthcare covers approximately 500,000 lives for primary healthcare, and also offers other adjacent coverage including life, dental and travel insurance.

Personal Insurance aims to provide customers with the products they need, distributed through the channels they prefer, and delivered with excellent customer service. Personal Insurance is focused on profitable growth in its selected market segments, with targeted investments in both scale businesses and emerging markets. Personal Insurance will continue to leverage its strong risk management and market expertise to foster growth by providing innovative and competitive solutions to its customers and distributors.

Operational Effectiveness

We are continuing to invest in initiatives to enable simpler and more agile low-cost operating models to provide superior service and position our operating platforms to accommodate significant future growth. In Japan, we continue to invest in technology and systems to improve operating efficiency and make it easier for our partners and our customers to do business with us, with the intent to ultimately increase our market share and facilitate our expansion in segments of the market that are expected to grow over the next decade, given demographic trends. In the U.S. Life business, we are focused on leveraging our most efficient systems environments and increased automation of our underwriting process. We believe that these simpler operating models will allow for productivity improvements and enhance our ability to leverage common functionality across product lines and borders, further supporting profitable growth.

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Profitability and Capital Management

We intend to continue to enhance profitability and capital efficiency within our insurance entities through disciplined pricing, in-force profitability management and effective management of risk. Volatility risk controls including required minimum allocations to fixed and volatility control accounts, rider fees indexed to an equity market volatility index and our dynamic hedging program are critical tools for products where we have significant equity market risk and exposure to changes in interest rates. Additionally, our scale and the breadth of our product offerings provide diversification of risk. Within our Non-Life Insurance Companies, we continue to streamline our legal entity structure to enhance transparency with regulators and optimize capital efficiency.

See Results of Operations — Consumer Insurance and Insurance Reserves for additional information.

The following section provides a comparative discussion of our Results of Operations on a reported basis for the three-month periods ended March 31, 2015 and 2014. Factors that relate primarily to a specific business segment are discussed in more detail within that business segment discussion. For a discussion of the Critical Accounting Estimates that affect the Results of Operations, see the Critical Accounting Estimates section of this MD&A and in Part II, Item 7. MD&A — Critical Accounting Estimates in the 2014 Annual Report.

The following table presents our consolidated results of operations:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change
Revenues:			
Premiums	**$ 8,822**	$ 9,075	(3)%
Policy fees	**677**	631	7
Net investment income	**3,838**	4,196	(9)
Net realized capital gains (losses)	**1,341**	(152)	NM
Aircraft leasing revenue	**-**	1,113	NM
Other income	**1,297**	1,300	-
Total revenues	**15,975**	16,163	(1)
Benefits, losses and expenses:			
Policyholder benefits and losses incurred	**6,551**	6,797	(4)
Interest credited to policyholder account balances	**935**	955	(2)
Amortization of deferred policy acquisition costs	**1,350**	1,305	3

General operating and other expenses	**2,949**	3,024	(2)
Interest expense	**340**	479	(29)
Loss on extinguishment of debt	**68**	238	(71)
Aircraft leasing expenses	**-**	1,096	NM
Net (gain) loss on sale of divested businesses	**6**	(4)	NM
Total benefits, losses and expenses	**12,199**	13,890	(12)
Income from continuing operations before income tax expense	**3,776**	2,273	66
Income tax expense	**1,300**	614	112
Income from continuing operations	**2,476**	1,659	49
Income (loss) from discontinued operations, net of income tax expense	**1**	(47)	NM
Net income	**2,477**	1,612	54
Less: Net income attributable to noncontrolling interests	**9**	3	200
Net income attributable to AIG	**$ 2,468**	$ 1,609	53%

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For the three-month period ended March 31, 2015, the effective tax rate on income from continuing operations was 34.4 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income, partially offset by an increase in certain deferred tax asset valuation allowances associated with foreign jurisdictions primarily attributable to changes in statutory tax rates and the net operating loss utilization statutory limitation in Japan.

For the three-month period ended March 31, 2014, the effective tax rate on income from continuing operations was 27.0 percent. The effective tax rate on income from continuing operations differs from the statutory tax rate of 35 percent primarily due to tax benefits associated with tax-exempt interest income and a decrease in the U.S. Life Insurance Companies' capital loss carryforward deferred tax asset valuation allowance from realized gains on sales of available for sale securities.

The following table presents a reconciliation of net income attributable to AIG to after-tax operating income attributable to AIG:

Three Months Ended March 31, *(in millions)*	2015	2014
Net income attributable to AIG	$ 2,468	$ 1,609
Uncertain tax positions and other tax adjustments	(42)	(28)
Deferred income tax valuation allowance (releases) charges	93	(65)
Changes in fair value of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	(29)	(49)
Changes in benefit reserves and DAC, VOBA and SIA related to net realized capital gains (losses)	35	(5)
Loss on extinguishment of debt	44	155
Net realized capital (gains) losses	(874)	91
(Income) loss from discontinued operations	(1)	47
(Income) loss from divested businesses	2	(12)
Legal settlements related to legacy crisis matters	(5)	(2)
After-tax operating income attributable to AIG	$ 1,691	$ 1,741
Weighted average diluted shares outstanding	1,386,263,549	1,472,510,813
Income per common share attributable to AIG (diluted)	$ 1.78	$ 1.09
After-tax operating income per common share attributable to AIG (diluted)	$ 1.22	$ 1.18

After-tax operating income attributable to AIG decreased in the first quarter of 2015 compared to the same period in the prior year primarily due to a decrease in income from insurance operations.

For the first quarters of 2015 and 2014, the effective tax rate on pre-tax operating income was 32.6 percent and 32.0 percent, respectively. The significant factors that contributed to the difference from the statutory rate included tax benefits resulting from tax-exempt interest income and other permanent tax items, and the impact of discrete tax benefits.

SEGMENT RESULTS

We report the results of our operations through two reportable segments: Commercial Insurance and Consumer Insurance. The Corporate and Other category consists of businesses and items not allocated to our reportable segments.

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Item 2 / RESULTS OF OPERATIONS

The following table summarizes the operations of each reportable segment and Corporate and Other. See also Note 3 to the Condensed Consolidated Financial Statements.

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change
Commercial Insurance	**$1,462**	$1,421	3%
Consumer Insurance	**945**	1,168	(19)
Corporate and Other	**138**	(68)	NM
Consolidations, eliminations and other adjustments	**(18)**	35	NM
Pre-tax operating income	**$2,527**	$2,556	(1)
Changes in fair values of fixed maturity securities designated to hedge living benefit liabilities, net of interest expense	**44**	76	(42)
Changes in benefit reserves and DAC, VOBA, and SIA related to net realized capital gains (losses)	**(54)**	7	NM
Loss on extinguishment of debt	**(68)**	(238)	71
Net realized capital gains (losses)	**1,341**	(152)	NM
Income (loss) from divested businesses	**(21)**	21	NM
Legal settlements related to legacy crisis matters	**15**	26	(42)
Legal reserves related to legacy crisis matters	**(8)**	(23)	65
Pre-tax income	**$3,776**	$2,273	66%

pre-tax operating income

(in millions)

COMMERCIAL INSURANCE		CONSUMER INSURANCE

FIRST QUARTER PRE-TAX INCOME COMPARISON FOR 2015 AND 2014

Pre-tax income increased in the first quarter of 2015 compared to the same period in the prior year, primarily due to higher capital gains from sales of investments, which includes gains on the sales of Class B shares of Prudential Financial, Inc. and a portion of our holdings in PICC Property and Casualty Company Limited (PICC P&C) shares, an increase from the change in the fair value of embedded policy derivatives related to variable annuity guaranteed living benefits net of economic hedges, as discussed below, and lower loss on extinguishment of debt from ongoing debt management activities. Commercial Insurance pre-tax operating income also increased due to higher underwriting income, partially offset by lower net investment income. These improvements were partially offset by a decrease in pre-tax operating income for Consumer Insurance, primarily due to lower alternative net investment income.

The change in the fair value of embedded policy derivatives related to variable annuity guaranteed minimum withdrawal benefits (GMWB) and guaranteed minimum account value benefits (GMAV), net of the change in fair value of all related economic hedges, resulted in a $340 million increase in pre-tax income in the first quarter of 2015 compared to the same period in the prior year. Although interest rates decreased in the first quarter of 2015, the corresponding increase in the liability for GMWB and GMAV was substantially offset by interest rate hedges, including gains in the fair value of bonds used to hedge interest rate risk, compared to the same period in the prior year, when the increase in the GMWB and GMAV liability was offset to a lesser extent by hedging. The first quarter of 2014 included losses totaling $208 million from the change in the fair value of embedded policy derivatives, net of related economic hedges, primarily due to narrowing credit spreads and reductions in interest rates during that quarter. The impact of these variable annuity guarantees on pre-tax income includes changes in fair value of the embedded policy derivatives and the majority of the related economic hedges, which are reported in Net realized capital gains (losses), as well as the change in fair value of certain bonds that hedge interest rate risk, which are also excluded from pre-tax operating income and reported above in Change in fair value of certain fixed maturity securities designated to hedge living benefit liabilities.

Insurance loss recognition expense, which is excluded from pre-tax operating income and reported above in Changes in certain benefit reserves, DAC, VOBA and SIA related to net realized capital gains, included $17 million and $12 million of expense in Corporate and Other in the first quarters of 2015 and 2014, respectively; the first quarter of 2014 also included loss recognition expense totaling $11 million in Commercial Insurance – Institutional Markets and Consumer Insurance – Retirement, attributable primarily to reinvestment of investment sales proceeds related to capital loss carryforward utilization at lower yields.

Net Investment Income

Net investment income is attributed to the operating segments of Commercial Insurance and Consumer Insurance based on internal models consistent with the nature of the underlying businesses.

For Commercial Insurance — Property Casualty and Consumer Insurance — Personal Insurance, we estimate investable funds based primarily on loss reserves, unearned premiums and a capital allocation for each operating segment. The net investment income allocation is calculated based on the estimated investable funds and risk-free yields (plus a liquidity premium) consistent with the approximate duration of the liabilities, and excludes net investment income associated with the run-off insurance lines reported in Corporate and Other. The remaining excess is attributed to Commercial Insurance — Property Casualty and Consumer Insurance — Personal Insurance based on the relative net investment income previously allocated.

For Commercial Insurance — Institutional Markets, Consumer Insurance — Retirement and Consumer Insurance — Life, net investment income is attributed based on invested assets from segregated product line portfolios. Invested assets in excess of liabilities are allocated to product lines based on internal capital estimates.

Foreign Currency Impact

Property Casualty, International Life and Personal Insurance businesses are transacted in most major foreign currencies. The following table presents the average of the quarterly weighted average exchange rates of the currencies that have the most significant impact on our businesses:

Three Months Ended March 31,			Percentage
Rate for 1 USD	**2015**	2014	Change
Currency:			
JPY	**118.82**	103.15	15%
EUR	**0.85**	0.73	16%
GBP	**0.65**	0.61	7%

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COMMERCIAL INSURANCE

Commercial Insurance presents its financial information in three operating segments – Property Casualty, Mortgage Guaranty and Institutional Markets.

Property Casualty provides insurance solutions for large and small businesses. The products offered by the Property Casualty operating segment include general liability, commercial automobile liability, workers' compensation, excess casualty, crisis management, including customized structured programs for large corporate and multinational customers, commercial, industrial property and energy-related property insurance products and services that cover exposures to man-made and natural disasters, including business interruption, aerospace, environmental, political risk, trade credit, surety, marine, various small and medium sized enterprises insurance lines, director and officers' liability (D&O), errors and omissions (E&O), fidelity, employment practices, fiduciary liability, cybersecurity risk, and kidnap and ransom. Property Casualty products are primarily distributed through a network of independent retail and wholesale brokers, and through an independent agency network.

Mortgage Guaranty provides mortgage insurance that protects mortgage investors against the increased risk of borrower default related to high loan-to-value mortgages. Mortgage Guaranty products and services are distributed to a comprehensive range of mortgage originators including national mortgage companies, community and money center banks, as well as through builder-owned mortgage companies, regional mortgage companies and internet-sourced lenders and credit unions.

Institutional Markets offers retirement and savings products that are marketed to groups or large institutions. The products offered by the Institutional Markets operating segment primarily include stable value wrap products, structured settlement and terminal funding annuities, high net worth products, corporate- and bank-owned life insurance and GICs. Institutional Markets products are primarily distributed through specialized marketing and consulting firms and structured settlement brokers.

See Part I, Item 1. Business in AIG's 2014 Annual Report for further discussion of our products and geographic regions where we distribute our products.

Commercial Insurance Results

The following table presents Commercial Insurance results:

Three Months Ended March 31,			Percentage
(in millions)	**2015**	2014	Change
Revenues:			

Premiums	**$ 5,257**	$ 5,364	(2)%
Policy fees	**49**	44	11
Net investment income	**1,538**	1,647	(7)
Benefits and expenses:			
Policyholder benefits and losses incurred	**3,767**	3,965	(5)
Interest credited to policyholder account balances	**102**	100	2
Amortization of deferred policy acquisition costs	**596**	619	(4)
General operating and other expenses*	**917**	950	(3)
Pre-tax operating income	**$ 1,462**	$ 1,421	3%

* Includes general operating expenses, commissions and other acquisition expenses.

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Commercial Insurance Results by Operating Segment

The following section provides a comparative discussion of Commercial Insurance Results of Operations for the first quarters of 2015 and 2014 by operating segment.

Property Casualty Results

The following table presents Property Casualty results:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change
Underwriting results:			
Net premiums written	**$ 5,047**	$ 5,006	1%
(Increase) decrease in unearned premiums	**(116)**	46	NM
Net premiums earned	**4,931**	5,052	(2)
Losses and loss adjustment expenses incurred	**3,360**	3,508	(4)
Acquisition expenses:			
Amortization of deferred policy acquisition costs	**588**	615	(4)
Other acquisition expenses	**209**	202	3
Total acquisition expenses	**797**	817	(2)
General operating expenses	**629**	671	(6)
Underwriting income	**145**	56	159
Net investment income	**1,025**	1,060	(3)
Pre-tax operating income	**$ 1,170**	$ 1,116	5%

NET PREMIUMS WRITTEN	**Pre-Tax oPERATING INCOME**
(in millions)	*(in millions)*

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Pre tax operating income increased in the first quarter of 2015 compared to the same period in the prior year primarily due to an increase in underwriting income driven by an improvement in current accident year losses, lower catastrophe losses, and a decrease in net adverse prior year loss reserve development. These improvements were partially offset by a net loss reserve discount charge in the first quarter of 2015 compared to a benefit for the same period in the prior year, as well as a decrease in net investment income in the first quarter of 2015. Net adverse prior year loss reserve development, including related premium adjustments, decreased by $132 million to $28 million in the first quarter of 2015, primarily due to improvement in prior year loss reserve development in all lines of business except Casualty. See further discussion under Insurance Reserves – Non-Life Insurance Companies – Net Loss Development. Current accident year losses improved in Financial lines and Specialty, particularly in the U.S. reflecting enhanced risk selection and pricing discipline. Catastrophe losses decreased to $71 million in the first quarter of 2015 from $184 million in the same period in the prior year. The current accident year losses for the first quarter of 2015 included eight severe losses totaling $134 million compared to nine severe losses totaling $145 million in the same period in the prior year. These decreases were partially offset by the net loss reserve discount charge of $93 million in the first quarter of 2015 compared to a benefit of $126 million in the same period in the prior year. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion.

Acquisition expenses decreased slightly in the first quarter of 2015 compared to the same period in the prior year, primarily due to lower amortization of previously deferred costs.

General operating expenses decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to efficiencies from organizational realignment initiatives, which were partially offset by increased technology-related costs.

Net investment income decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to a continued decrease in interest rates during the first quarter of 2015, as yields on new purchases were lower than the weighted average yield of the overall portfolio, lower income on alternative investments, and the effect of foreign exchange due to strengthening of the U.S. dollar. The decrease in net investment income also reflected lower income associated with investments accounted for under the fair value option, as the increase related to the PICC P&C shares was more than offset by a decrease from fixed maturity investments. These decreases were partially offset by the effect of continued portfolio diversification. Further, the decrease in allocated net investment income is also due to a lower asset base as net loss reserves continue to decline.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

Property Casualty Net Premiums Written

The following table presents Property Casualty's net premiums written by major line of business:

Three Months Ended March 31,			Percentage Change in	
(in millions)	**2015**	2014	U.S. Dollars	Original Currency
Casualty	**$ 1,882**	$ 2,015	(7)%	(3)%
Property	**1,007**	930	8	15
Specialty	**954**	996	(4)	-
Financial lines	**1,204**	1,065	13	20
Total Property Casualty net premiums written	**$ 5,047**	$ 5,006	1%	6%

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Property Casualty NET PREMIUMS WRITTEN by Line of Business *(in millions)*

Property Casualty net premiums written increased slightly in the first quarter of 2015 compared to the same period in the prior year, primarily due to the renewal of a multi-year policy in U.S. Financial lines, and new business growth in Property and Financial lines across all regions, partially offset by the effect of foreign exchange as a result of strengthening of the U.S. dollar against the euro, British pound and Japanese yen.

Casualty net premiums written decreased in the first quarter of 2015 compared to the same period in the prior year reflecting continued execution of our strategy to enhance risk selection and optimize our product portfolio particularly in the U.S. Strong new writings in growth targeted products, particularly in EMEA, were more than offset by the declines in certain residual programs.

Property net premiums written increased in the first quarter of 2015 compared to the same period in the prior year primarily due to new business increases in growth-targeted products, and higher renewals across all regions.

Specialty net premiums written decreased in the first quarter of 2015, compared to the same period in the prior year primarily due to strengthening of the U.S. dollar against the euro, British pound and Japanese yen. Excluding the effect of foreign exchange, net premiums written remained unchanged in the first quarter of 2015, compared to the same period in the prior year primarily due to new business increases related to targeted growth products, particularly in EMEA, largely offset by a decrease in new business growth in small and medium sized enterprise markets in the Americas, and the effect of renewals of our strategy to enhance risk selection in certain classes of business, particularly in the U.S.

Financial lines net premiums written increased in the first quarter of 2015, compared to the same period in the prior year primarily due to the renewal of a multi-year E&O policy in the U.S. that produced net premiums written of $147 million. Excluding the effect of foreign exchange and the renewal of the multi-year policy, net premiums written still increased primarily due to the growth in new business related to targeted growth products and higher renewals in the Americas and EMEA.

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Property Casualty Net Premiums Written by Region

The following table presents Property Casualty's net premiums written by region:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change in U.S. dollars	Percentage Change in Original Currency
Property Casualty:				
Americas	**$ 2,949**	$ 2,892	2%	3%
Asia Pacific	**482**	463	4	14
EMEA	**1,616**	1,651	(2)	10
Total net premiums written	**$ 5,047**	$ 5,006	1%	6%

property casualty NET PREMIUMS WRITTEN by Region

(in millions)

The Americas net premiums written increased in the first quarter of 2015 compared to the same period in the prior year, primarily due to the renewal of a multi-year Financial lines policy in the U.S., discussed above, an increase in new business and higher retention in Property and Financial lines. These increases were partially offset by the declines in the Casualty business, as well as the effect on renewals of our strategy to enhance risk selection in certain classes of business in U.S. Specialty.

Asia Pacific net premiums written increased in the first quarter of 2015 compared to the same period in the prior year, primarily due to increases in growth-targeted products, partially offset by the effect of strengthening of the U.S. dollar against the Japanese yen.

EMEA net premiums written decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to the strengthening of the U.S. dollar against the euro and British pound. Excluding the effect of foreign exchange, net premiums written increased primarily due to new business growth in targeted growth products across all lines of business.

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Property Casualty Underwriting Ratios

The following tables present the Property Casualty combined ratios based on GAAP data and reconciliation to the accident year combined ratio, as adjusted:

Three Months Ended March 31,	**2015**	2014	Increase (Decrease)
Loss ratio	**68.1**	69.4	(1.3)
Catastrophe losses and reinstatement premiums	**(1.4)**	(3.6)	2.2
Prior year development net of premium adjustments	**(0.4)**	(3.1)	2.7
Net reserve discount benefit (charge)	**(1.9)**	2.5	(4.4)
Accident year loss ratio, as adjusted	**64.4**	65.2	(0.8)
Acquisition ratio	**16.2**	16.2	-
General operating expense ratio	**12.8**	13.3	(0.5)
Expense ratio	**29.0**	29.5	(0.5)
Combined ratio	**97.1**	98.9	(1.8)
Catastrophe losses and reinstatement premiums	**(1.4)**	(3.6)	2.2
Prior year development net of premium adjustments	**(0.4)**	(3.1)	2.7
Net reserve discount benefit (charge)	**(1.9)**	2.5	(4.4)
Accident year combined ratio, as adjusted	**93.4**	94.7	(1.3)

property casualty ratios **Three Months Ended March 31,**	

See Insurance Reserves – Non-Life Insurance Companies for further discussion of discounting of reserves and prior year development.

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The following tables present Property Casualty's accident year catastrophe and severe losses by region and number of events:

Catastrophes [(a)]

(in millions)	# of Events	Americas	Asia Pacific	EMEA	Total
Three Months Ended March 31, 2015					
Windstorms and hailstorms	**1**	**$ 71**	**$ -**	**$ -**	**$ 71**
Total catastrophe-related charges	**1**	**$ 71**	**$ -**	**$ -**	**$ 71**
Three Months Ended March 31, 2014					
Windstorms and hailstorms	4	$ 123	$ 42	$ 19	$ 184
Total catastrophe-related charges	4	$ 123	$ 42	$ 19	$ 184

(a) Catastrophes are generally weather or seismic events having a net impact on AIG in excess of $10 million each.

Severe Losses[(b)]

Three Months Ended March 31, *(in millions)*	# of Events	Americas	Asia Pacific	EMEA	Total
2015	**8**	**$ 113**	**$ -**	**$ 21**	**$ 134**
2014	9	$ 46	$ 10	$ 89	$ 145

(b) Severe losses are defined as non-catastrophe individual first party losses and surety losses greater than $10 million, net of related reinsurance and salvage and subrogation.

The combined ratio decreased by 1.8 points in the first quarter of 2015 compared to the same period in the prior year reflecting decreases in the loss ratio and general operating expense ratio.

The accident year combined ratio, as adjusted, decreased by 1.3 points in the first quarter of 2015 compared to the same period in the prior year, due to both lower accident year loss ratio, as adjusted, and general operating expense ratio.

The accident year loss ratio, as adjusted, decreased by 0.8 points in the first quarter of 2015, compared to the same period in the prior year, reflecting enhanced risk selection and pricing discipline in Specialty and Financial lines, particularly in the U.S., and lower attritional losses in U.S. Property, as well as lower severe losses, particularly in EMEA. Severe losses represented approximately 2.7 and 2.9 points of the accident year loss ratio, as adjusted, respectively, in the first quarters of 2015 and 2014. These improvements were partially offset by higher attritional losses in Property and Specialty in EMEA.

The acquisition ratio remained unchanged in the first quarter of 2015 compared to the same period in the prior year.

The general operating expense ratio decreased slightly by 0.5 points in the first quarter of 2015 compared to the same period in the prior year, primarily due to efficiencies from organizational realignment initiatives partially offset by higher technology-related expenses.

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Mortgage Guaranty Results

The following table presents Mortgage Guaranty results:

Three Months Ended March 31, *(dollars in millions)*		**2015**		2014	Percentage Change
Underwriting results:					
Net premiums written	$	258	$	231	12%
Increase in unearned premiums		(28)		(18)	(56)
Net premiums earned		230		213	8
Losses and loss adjustment expenses incurred		58		118	(51)
Acquisition expenses:					
Amortization of deferred policy acquisition costs		7		3	133
Other acquisition expenses		15		14	7
Total acquisition expenses		22		17	29
General operating expenses		39		37	5
Underwriting income		111		41	171
Net investment income		34		35	(3)
Pre-tax operating income		145		76	91
Key metrics:					
Prior year loss reserve development (favorable)/ unfavorable	$	-	$	27	NM%
Domestic first-lien:					
New insurance written	$	10,542	$	7,605	39
Combined ratio		53.4		84.5	
Risk in force	$	42,839	$	37,352	15
60+ day delinquency ratio on primary loans(a)		3.9%		5.3%	
Domestic second-lien:					
Risk in force(b)	$	436	$	991	(56)

(a) Based on number of policies.

(b) Represents the full amount of second-lien loans insured reduced for contractual aggregate loss limits on certain pools of loans, which is usually 10 percent of the full amount of loans insured in each pool. Certain second-lien pools have reinstatement provisions, which will expire as the loan balances are repaid.

Pre-Tax oPERATING INCOME

(in millions)

domestic first-lien new insurance written

(in millions)

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Pre-tax operating income increased in the first quarter of 2015 compared to the same period in the prior year due to a decline in incurred losses from lower delinquency rates, higher cure rates and an increase in first-lien net premiums earned as a result of higher new insurance written and an acceleration of earnings on the cancellations of single premium business.

First Lien Results

First-lien pre-tax operating income increased in the first quarter of 2015 compared to the same period in the prior year, primarily due to improved underwriting income as a result of a $60 million decrease in first-lien losses and loss adjustment expenses incurred reflecting fewer new delinquencies and higher cure rates. In addition, first-lien pre-tax operating income benefitted from a $21 million increase in first-lien net premiums earned in the first quarter of 2015 compared to the same period in the prior year, largely from growth in the book of business and the acceleration of premiums earned as the result of cancellations on single premium business. The decrease in first-lien losses and loss adjustment expenses incurred combined with the increase in earned premiums resulted in an improved combined ratio of 53.4 points in the first quarter of 2015 compared to 84.5 points in the same period in the prior year.

Acquisition expenses increased in the first quarter of 2015 compared to the same period in the prior year, primarily as a result of sales support activities related to the increase in new insurance written.

General operating expenses increased in the first quarter of 2015 compared to the same period in the prior year, primarily due to increased servicing costs related to the growth of in-force business.

Other Business Results

Other business results include second-lien insurance, student loan insurance and non-domestic mortgage insurance operations.

The Other business' pre-tax operating income for the first quarter of 2015 was approximately $13 million compared to $16 million in the same period in the prior year. The decrease in pre-tax operating income was primarily due to a decline in net premiums earned and a decline in net investment income, partially offset by a reduction in underwriting expenses.

New Insurance Written

The increase in domestic first-lien new insurance written to $10.5 billion in the first quarter of 2015 from $7.6 billion in the same period in the prior year was primarily due to the expansion in the mortgage originations market caused by a reduction in mortgage interest rates.

Delinquency Inventory

The delinquency inventory for domestic first lien business declined during the first quarter of 2015 as a result of cures and paid claims exceeding the number of newly reported delinquencies. Mortgage Guaranty's first lien primary delinquency ratio at March 31, 2015 was 3.9 percent compared to 5.3 percent at March 31, 2014. Over the last several years, Mortgage Guaranty has experienced a decline in newly reported defaults and an increase in cure rates.

The following table provides a summary of activity in Mortgage Guaranty's domestic first lien delinquency inventory:

Three Months Ended March 31, *(number of policies)*	**2015**	2014
Number of delinquencies at the beginning of the year	**38,357**	47,518
Newly reported	**9,829**	12,362
Cures	**(11,063)**	(13,474)
Claims paid	**(2,454)**	(3,057)
Other	**(297)**	(568)
Number of delinquencies at the end of the period	**34,372**	42,781

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Mortgage Guaranty Underwriting Ratios

The following tables present the Mortgage Guaranty combined ratios based on GAAP data:

Three Months Ended March 31,	**2015**	2014	Increase (Decrease)
Loss ratio	**25.2**	55.4	(30.2)
Acquisition ratio	**9.6**	8.0	1.6
General operating expense ratio	**16.9**	17.4	(0.5)
Expense ratio	**26.5**	25.4	1.1
Combined ratio	**51.7**	80.8	(29.1)

The combined ratio decreased by 29.1 points in the first quarter of 2015 compared to the same period in the prior year. The decrease was driven primarily by a reduction in the loss ratio due to lower losses and loss adjustment expenses incurred from fewer new delinquencies and higher cure rates.

The acquisition ratio increased by 1.6 points in the first quarter of 2015 compared to the same period in the prior year. Acquisition expenses increased, primarily due to the increases in expenses related to sales activities supporting new insurance written in the first quarter of 2015.

The general operating expense ratio decreased by 0.5 points in the first quarter of 2015 compared to the same period in the prior year. The decrease was primarily due to an increase in net premiums earned.

Institutional Markets Results

The following table presents Institutional Markets results:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change
Revenues:			
Premiums	**$ 96**	$ 99	(3)%
Policy fees	**49**	44	11
Net investment income	**479**	552	(13)
Benefits and expenses:			
Policyholder benefits and losses incurred	**349**	339	3
Interest credited to policyholder account balances	**102**	100	2
Amortization of deferred policy acquisition costs	**1**	1	-
Other acquisition expenses	**7**	8	(13)
General operating expenses	**18**	18	-

Pre-tax operating income	**$ 147**	$ 229	(36)

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INSTITUTIONAL MARKETS pre-tax OPERATING INCOME *(in millions)*

Pre-tax operating income in the first quarter of 2015 decreased compared to the same period in the prior year, primarily due to a decrease in net investment income. Fee income increased in the first quarter of 2015 compared to the same period in the prior year, driven by growth in reserves and assets under management, primarily from continued development of the stable value wrap business. The notional amount of stable value wrap assets under management at March 31, 2015 grew by $7.0 billion or 28 percent from the same period in the prior year, in addition to $2.3 billion of stable value wrap funding agreements included in insurance reserves.

Net investment income in the first quarter of 2015 decreased compared to the same period in the prior year, primarily due to lower net investment income from alternative investments and from the base portfolio. Alternative investment income in the first quarter of 2015 decreased $76 million compared to the same period in the prior year, which reflected favorable equity market conditions. The decrease in base net investment income in the first quarter of 2015 compared to the same period in the prior year primarily reflected lower base portfolio yield as a result of reinvestment in the low interest rate environment, partially offset by growth in average assets. See MD&A – Investments – Life Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Institutional Markets business.

General operating expenses in the first quarter of 2015 were comparable to the same period in the prior year.

Institutional Markets Premiums, Deposits and Net Flows

For Institutional Markets, premiums represent amounts received on traditional life insurance policies and life-contingent payout annuities or structured settlements. Premiums and deposits is a non GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance and investment-type annuity contracts, including GICs and stable value wrap funding agreements.

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The following table presents a reconciliation of Institutional Markets premiums and deposits to GAAP premiums:

Three Months Ended March 31,				
(in millions)		**2015**		2014
Premiums and deposits	**$**	**146**	$	147
Deposits		**(45)**		(43)
Other		**(5)**		(5)
Premiums	**$**	**96**	$	99

Premiums and deposits for the first quarter of 2015 were comparable to the same period in the prior year. The decrease in premiums in the first quarter of 2015 compared to the same period in the prior year was primarily due to lower sales of single-premium life-contingent products, including terminal funding annuities.

CONSUMER INSURANCE

Consumer Insurance presents its operating results in three operating segments – Retirement, Life and Personal Insurance.

Retirement provides a broad portfolio of retirement products and services to individual consumers**.** The primary products offered by the Retirement operating segment include individual fixed and variable annuities, retail mutual funds and advisory services. Retirement products are distributed through affiliated channels that include VALIC career financial advisors and licensed financial advisors in the AIG Advisor Group and through non-affiliated channels, which include banks, wirehouses, regional and independent broker-dealers, independent marketing organizations and independent insurance agents.

Life provides life insurance products to individual consumers as well as group products distributed through employers. The primary products offered by the Life operating segment include term life, whole life and universal life insurance. International products include term and whole life insurance, supplemental health, cancer and critical illness insurance. Life products are distributed in the U.S. through affiliated channels that include career agents and financial advisors in the AIG Financial Network and direct marketing. Non-affiliated channels in the U.S. include independent marketing organizations, independent agents and benefit brokers. International life products are sold through non-affiliated independent agents and direct marketing.

Personal Insurance provides accident and health and personal lines insurance products to individuals, organizations and families. The products offered by the Personal Insurance operating segment include voluntary and sponsor-paid personal accident and supplemental health products for individuals, employees, associations and other organizations, including a broad range of travel insurance products and services for leisure and business travelers, personal automobile and homeowners insurance, extended warranty, and consumer specialty products, such as identity theft and credit card protections, as well as various high-net-worth insurance products. Personal Insurance products and services are distributed through various channels, including independent agents, brokers, affinity partners, airlines and travel agents, as well as direct marketing.

See Part I, Item 1. Business in AIG’s 2014 Annual Report for further discussion of our products and geographic regions where we distribute our products.

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Consumer Insurance Results

The following table presents Consumer Insurance results:

Three Months Ended March 31, *(in millions)*		**2015**		2014	Percentage Change
Revenues:					
Premiums	**$**	**3,553**	$	3,689	(4)%
Policy fees		**627**		593	6
Net investment income		**2,175**		2,403	(9)
Other income		**508**		474	7
Benefits and expenses:					
Policyholder benefits and losses incurred		**2,679**		2,757	(3)
Interest credited to policyholder account balances		**833**		853	(2)
Amortization of deferred policy acquisition costs		**715**		718	-
General operating and other expenses*		**1,691**		1,663	2
Pre-tax operating income	**$**	**945**	$	1,168	(19)%

* Includes general operating expenses, non deferrable commissions, other acquisition expenses, advisory fee expenses and other expenses.

Consumer Insurance Results by Operating Segment

The following section provides a comparative discussion of Consumer Insurance Results of Operations for the first quarters of 2015 and 2014 by operating segment.

Retirement Results

The following table presents Retirement results:

Three Months Ended March 31, *(in millions)*		**2015**		2014	Percentage Change
Revenues:					
Premiums	**$**	**46**	$	57	(19)%
Policy fees		**264**		238	11
Net investment income		**1,570**		1,716	(9)
Advisory fee and other income		**508**		474	7
Benefits and expenses:					

Policyholder benefits and losses incurred	**92**	113	(19)
Interest credited to policyholder account balances	**709**	727	(2)
Amortization of deferred policy acquisition costs	**142**	126	13
Non deferrable insurance commissions	**69**	61	13
Advisory fee expenses	**332**	311	7
General operating expenses	**244**	232	5
Pre-tax operating income	**$ 800**	$ 915	(13)%

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RETIREMENT pre-tax OPERATING INCOME *(in millions)*

Pre-tax operating income for Retirement in the first quarter of 2015 decreased compared to the same period in the prior year, primarily due to lower net investment income, which reflected lower income from alternative investments, lower base yields and a lower volume of average assets due to dividend payments. The decrease in net investment income, which resulted in lower base spreads, was partially offset by higher policy fees and advisory fees due to increased assets under management, principally driven by growth in variable annuity separate account assets from positive net flows and favorable separate account performance.

Net investment income for the first quarter of 2015 decreased compared to the same period in the prior year, primarily due to a $106 million decrease in income from alternative investments, which were higher in the prior year period due to favorable equity market conditions, and lower base net investment income, as discussed below. These decreases were partially offset by an improvement in other enhancement income, primarily due to losses in the same period in the prior year on securities for which the fair value option has been elected, including the investment in People's Insurance Company (Group) of China Limited (PICC Group) then held by the Life Insurance Companies.

Base net investment income for the first quarter of 2015 decreased slightly compared to the same period in the prior year, primarily due the effect of lower base yields from reinvestment at rates below the weighted average yield of the overall portfolio, as well as a decrease in net investment income due to a lower volume of average assets resulting from dividend activity during the past twelve months. See Investments – Life

Insurance Companies for additional information on the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Retirement business.

Overall, Retirement fixed maturity portfolio yields in the first quarter of 2015 declined compared to the same period in the prior year, primarily as a result of investment purchases and investment of portfolio cash flows at rates below the weighted average yield of the existing portfolio in the sustained low interest rate environment. While average interest crediting rates were down slightly due to active rate management, the decline in base yields resulted in lower base spreads in the Fixed Annuities, Group Retirement and Retirement Income Solutions product lines compared to the same period in the prior year. See Spread Management below for additional discussion.

General operating expenses increased in the first quarter of 2015 compared to the same period in the prior year, due in part to technology investments and higher sales volume in the Retirement Income Solutions product line.

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Spread Management

The contractual provisions for renewal of crediting rates and guaranteed minimum crediting rates included in products may have the effect, in a sustained low interest rate environment, of reducing spreads and thus reducing future profitability. Although this interest rate risk is partially mitigated through the Life Insurance Companies' asset liability management process, product design elements and crediting rate strategies, a sustained low interest rate environment may negatively affect future profitability.

Disciplined pricing on new business and active crediting rate management are used in the Fixed Annuities and Group Retirement product lines to partially offset the impact of continued decline in base yields resulting from investment of available cash flows in the low interest rate environment.

Disciplined pricing on new business is used to pursue new sales of annuity products at targeted net investment spreads in the current rate environment. Retirement has an active product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that Retirement cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, where appropriate, existing products that had higher minimum rate guarantees have been re-filed with lower crediting rates as permitted under state insurance laws for new sales. As a result, new sales of fixed annuity products generally have minimum interest rate guarantees of one percent.

Renewal crediting rate management is done under contractual provisions in annuity products that were designed to allow crediting rates to be reset at pre-established intervals in accordance with state and federal laws and subject to minimum crediting rate guarantees. Retirement will continue to adjust crediting rates on in-force business to mitigate the pressure on spreads from declining base yields. In addition to deferred annuity products, certain traditional long-duration products for which Retirement does not have the ability to adjust interest rates, such as payout annuities, are exposed to reduced earnings and potential loss recognition reserve increases in a sustained low interest rate environment.

As of March 31, 2015, Retirement's fixed annuity reserves, which include fixed options offered within variable annuities sold in the Group Retirement and Retirement Income Solutions product lines as well as reserves of the Fixed Annuities product line, had minimum guaranteed interest rates ranging from 1.0 percent to 5.5 percent, with the higher rates representing guarantees on older in-force products. As indicated in the table below, approximately 70 percent of annuity account values were at their minimum crediting rates as of March 31, 2015, compared to 71 percent at December 31, 2014. The decrease during the first quarter of 2015 in the percentage of annuity account values at the minimum crediting rate was primarily due to new deposits that were crediting at rates above the contractual minimum, and may include sales inducements, as well as the run-off of older business that was at minimum crediting rates. Fixed annuity account values having contractual minimum guaranteed rates above 1 percent were 78 percent and 79 percent of total fixed annuity reserves at March 31, 2015 and December 31, 2014, respectively.

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The following table presents fixed annuity account values by contractual minimum guaranteed interest rate and current crediting rates:

	Current Crediting Rates			
March 31, 2015		1-50 Basis	More than 50	
Contractual Minimum Guaranteed	At Contractual	Points Above	Basis Points	
Interest Rate	Minimum	Minimum	Above Minimum	
(in millions)	Guarantee	Guarantee	Guarantee	Total
Fixed annuities *				
1%	$ 2,188	$ 8,747	$ 10,368	$ 21,303
> 1% - 2%	12,321	3,207	3,495	19,023
> 2% - 3%	31,360	605	1,928	33,893
> 3% - 4%	12,934	49	10	12,993
> 4% - 5%	7,978	-	4	7,982
> 5% - 5.5%	224	-	5	229
Total	$ 67,005	$ 12,608	$ 15,810	$ 95,423
Percentage of total	70%	13%	17%	100%

* Fixed annuities shown include fixed options within variable annuities sold in Group Retirement and Retirement Income Solutions product lines.

Retirement Premiums and Deposits, Surrenders and Net Flows

Premiums

For Retirement, premiums primarily represent amounts received on life-contingent payout annuities. Premiums and deposits is a non GAAP financial measure that includes, in addition to direct and assumed premiums, deposits received on investment-type annuity contracts and mutual funds.

The following table presents a reconciliation of Retirement premiums and deposits to GAAP premiums:

Three Months Ended March 31,		
(in millions)	**2015**	2014
Premiums and deposits*	**$ 5,509**	$ 6,003
Deposits	**(5,637)**	(6,065)
Other	**174**	119
Premiums	**$ 46**	$ 57

* Excludes activity related to closed blocks of fixed and variable annuities.

Premiums decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to lower immediate annuity premiums in the Fixed Annuities product line.

Premiums and Deposits and Net Flows

The following table presents Retirement premiums and deposits and net flows by product line:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change
Fixed Annuities	**$ 684**	$ 960	(29)%
Retirement Income Solutions	**2,457**	2,173	13
Retail Mutual Funds	**857**	1,162	(26)
Group Retirement	**1,511**	1,708	(12)
Total Retirement premiums and deposits*	**$ 5,509**	$ 6,003	(8)%

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Three Months Ended March 31,		
(in millions)	**2015**	2014
Net flows		
Fixed Annuities	**$ (746)**	$ (415)
Retirement Income Solutions	**1,525**	1,269
Retail Mutual Funds	**143**	240
Group Retirement	**(640)**	(78)
Total Retirement net flows*	**$ 282**	$ 1,016

* Excludes activity related to closed blocks of fixed and variable annuities, which had reserves of approximately $5.5 billion and $5.6 billion at March 31, 2015 and 2014, respectively.

RETIREMENT PREMIUMS AND DEPOSITS by Product Line *(in millions)*

Premiums and deposits for Retirement decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to lower sales in the Fixed Annuities, Retail Mutual Funds and Group Retirement product lines, partially offset by continued strong demand for variable and fixed index annuities in Retirement Income Solutions.

Net flows for annuity products included in the Fixed Annuities, Retirement Income Solutions and Group Retirement product lines represent premiums and deposits less death, surrender and other withdrawal benefits. Net flows from mutual funds, which are included in both the Retail Mutual Funds and Group Retirement product lines, represent deposits less withdrawals.

Total net flows for Retirement were positive in the first quarter of 2015 but decreased compared to the same period in the prior year, primarily due to the lower premiums and deposits combined with higher surrenders and withdrawals in the Group Retirement product lines. Improvement in Retail Mutual Fund surrenders partially offset the lower level of deposits in this product line.

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Premiums and Deposits and Net Flows by Product Line

A discussion of the significant variances in premiums and deposits and net flows for each product line follows:

Fixed Annuities deposits decreased in the first quarter of 2015 compared to the same period in the prior year, due to the sustained low interest rate environment. Fixed Annuities net flows continued to be negative, but surrender volumes were stable in the first quarter of 2015 compared to the same period in the prior year.

Retirement Income Solutions premiums and deposits and net flows increased in the first quarter of 2015 compared to the same period in the prior year reflecting a continued high volume of variable and index annuity sales, which have benefitted from consumer demand for retirement products with guaranteed benefit features, product enhancements and expanded distribution. The improvement in the surrender rate (see Surrender Rates below) was primarily due to the significant growth in account value driven by the high volume of sales, which has increased the proportion of business that is within the surrender charge period.

Retail Mutual Fund deposits and net flows decreased in the first quarter of 2015 compared to the same period in the prior year, primarily driven by lower deposits in the Focused Dividend Strategy Fund, which were partially offset by a favorable variance in withdrawal activity.

Group Retirement net flows decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to higher group surrender activity, as well as lower premiums and deposits. The increase in surrenders and the surrender rate for the first quarter of 2015 compared to the same period in the prior year included large group surrenders of approximately $300 million. The large group market has been impacted by the consolidation of healthcare providers and other employers in our target markets.

Surrender Rates

The following table presents reserves for annuity product lines by surrender charge category:

	March 31, 2015			December 31, 2014		
(in millions)	Group Retirement Products[a]	Fixed Annuities	Retirement Income Solutions	Group Retirement Products[a]	Fixed Annuities	Retirement Income Solutions
No surrender charge[b]	$ 62,250	$ 35,329	$ 2,130	$ 61,751	$ 34,396	$ 1,871
0% - 2%	1,832	2,381	17,157	1,648	2,736	17,070
Greater than 2% - 4%	1,370	2,126	4,752	1,657	2,842	4,254
Greater than 4%	5,664	12,496	27,542	5,793	12,754	26,165
Non-surrenderable	1,078	3,456	208	770	3,464	151
Total reserves	$ 72,194	$ 55,788	$ 51,789	$ 71,619	$ 56,192	$ 49,511

(a) Excludes mutual fund assets under management of $14.9 billion and $14.6 billion at March 31, 2015 and December 31, 2014, respectively.

(b) Group Retirement Products in this category include reserves of approximately $6.2 billion at both March 31, 2015 and December 31, 2014 that are subject to 20 percent annual withdrawal limitations.

The following table presents surrender rates for deferred annuities by product line:

Three Months Ended March 31,	2015	2014
Surrenders as a percentage of average account value		
Fixed Annuities	6.7 %	6.8 %
Retirement Income Solutions	6.0	7.5
Group Retirement	9.3	7.7

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Life Results

The following table presents Life results:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change
Revenues:			
Premiums	**$ 708**	$ 673	5%
Policy fees	**363**	355	2
Net investment income	**542**	582	(7)
Benefits and expenses:			
Policyholder benefits and losses incurred	**942**	893	5
Interest credited to policyholder account balances	**124**	126	(2)
Amortization of deferred policy acquisition costs	**86**	80	8
Non deferrable insurance commissions	**59**	66	(11)
General operating expenses	**231**	210	10
Pre-tax operating income	**$ 171**	$ 235	(27)

Life pre-tax OPERATING INCOME *(in millions)*

Pre-tax operating income decreased compared to the prior-year quarter, primarily due to lower net investment income from alternative investments and lower investment yields on the base portfolio. In addition, the first quarter of 2015 included higher general operating expenses and less favorable mortality gains than in the same period in the prior year. The decrease in mortality gains compared to the same period in the prior year was primarily due to a higher benefit expense from large claims in the U.S. individual universal life and group life businesses.

Net investment income decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to lower income from alternative investments, and lower yields on the base portfolio due in part to participation income received on a commercial mortgage loan in the first quarter of 2014, as well as a decrease in investment income due to a lower volume of average assets, which resulted from dividend activity during the past twelve months. These decreases were partially offset by an improvement in other enhancement income, primarily due to losses in the same period in the prior year on securities for which the fair value option has been elected, including the investment in PICC Group then held by the Life Insurance Companies. See Investments – Life Insurance Companies for additional discussion of the investment strategy, asset-liability management process and invested assets of our Life Insurance Companies, which include the invested assets of the Life business.

General operating expenses increased in the first quarter of 2015 compared to the same period in the prior year, primarily related to expansion of the global Life business and strategic investment in technology and distribution platforms.

Spread Management

Disciplined pricing on new business is used to continue to pursue new sales of life products at targeted net investment spreads in a low interest rate environment. Life has a dynamic product management process to ensure that new business offerings appropriately reflect the current interest rate environment. To the extent that Life cannot achieve targeted net investment spreads on new business, products are re-priced or no longer sold. Additionally, where appropriate, existing products with higher minimum rate guarantees have been re-filed with lower crediting rates as permitted under state insurance laws for new sales. Universal life insurance interest rate guarantees are generally 2 to 3 percent on new non-indexed products and zero to 2 percent on new indexed products, and are designed to meet targeted net investment spreads.

In-force Management. Crediting rates for in-force policies are adjusted in accordance with contractual provisions that were designed to allow crediting rates to be reset subject to minimum crediting rate guarantees.

The following table presents universal life account values by contractual minimum guaranteed interest rate and current crediting rates:

	Current Crediting Rates			
March 31, 2015 Contractual Minimum Guaranteed Interest Rate *(in millions)*	At Contractual Minimum Guarantee	1-50 Basis Points Above Minimum Guarantee	More than 50 Basis Points Above Minimum Guarantee	Total
Universal life insurance				
1%	$ 92	$ -	$ 10	$ 102
> 1% - 2%	33	123	217	373
> 2% - 3%	512	399	1,373	2,284
> 3% - 4%	2,033	402	1,137	3,572
> 4% - 5%	4,094	280	-	4,374
> 5% - 5.5%	331	-	-	331
Total	$ 7,095	$ 1,204	$ 2,737	$ 11,036
Percentage of total	64%	11%	25%	100%

Life Premiums and Deposits

Premiums for Life represent amounts received on traditional life insurance policies and group benefit policies. Premiums and deposits for Life is a non GAAP financial measure that includes direct and assumed premiums as well as deposits received on universal life insurance.

The following table presents a reconciliation of Life premiums and deposits to GAAP premiums:

Three Months Ended March 31, *(in millions)*	**2015**	2014
Premiums and deposits	**$ 1,223**	$ 1,187
Deposits	**(378)**	(379)
Other	**(137)**	(135)
Premiums	**$ 708**	$ 673

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Excluding the effect of foreign exchange, Life premiums increased 10 percent in the first quarter of 2015 compared to the same period in the prior year, principally driven by growth in Japan and the acquisition of Ageas Protect Limited (now AIG Life Limited) in the U.K.

Personal Insurance Results

The following table presents Personal Insurance results:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change
Underwriting results:			
Net premiums written	**$ 2,915**	$ 3,128	(7)%
Increase in unearned premiums	**(116)**	(169)	31
Net premiums earned	**2,799**	2,959	(5)
Losses and loss adjustment expenses incurred	**1,645**	1,751	(6)
Acquisition expenses:			
Amortization of deferred policy acquisition costs	**487**	512	(5)
Other acquisition expenses	**278**	278	-
Total acquisition expenses	**765**	790	(3)
General operating expenses	**478**	505	(5)
Underwriting loss	**(89)**	(87)	(2)
Net investment income	**63**	105	(40)
Pre-tax operating income (loss)	**$ (26)**	$ 18	NM%

NET PREMIUMS WRITTEN *(in millions)*	**Pre-Tax oPERATING INCOME (LOSS)** *(in millions)*

Personal Insurance reported a **pre tax operating loss** in the first quarter of 2015 compared to pre-tax operating income in the same period in the prior year, primarily due to a decrease in net investment income. The first quarter of 2015 underwriting result was essentially unchanged from the same period in the prior year. Catastrophe losses were $61 million in the first quarter of 2015, compared to $78 million in the same period in the prior year. The accident year losses include severe losses of approximately $12 million in the first quarter of 2015 compared to $41 million in the same period in the prior year. In the first quarter of 2015, net adverse prior year loss reserve development was $4 million, compared to net favorable prior year loss

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reserve development of $14 million in the same period in the prior year. The decrease in net investment income reflected the combined impact of lower required capital, refinements in the internal allocation of excess net investment income, and lower yields on the overall investment portfolio.

Acquisition expenses decreased in the first quarter of 2015 compared to the same period in the prior year due to the effect of foreign exchange as a result of the strengthening of the U.S. dollar against the Japanese yen and euro. Excluding the effect of foreign exchange, acquisition expenses increased due to higher acquisition costs in countries and lines of business targeted for growth and higher profit share expenses related to warranty service programs, partially offset by a decrease in direct marketing expenses. Direct marketing expenses, excluding commissions, for the first quarter of 2015 were $69 million, and, excluding the impact of foreign exchange, decreased by approximately $11 million from the same period in the prior year. These expenses, while not deferrable, are expected to generate business that has an average expected overall persistency of approximately five years and, in Japan, where the majority of the expenses are incurred, approximately nine years. Direct marketing accounted for approximately 16 percent of net premiums written in both the first quarters of 2015 and 2014.

General operating expenses decreased in the first quarter of 2015 compared to the same period in the prior year due to the effect of foreign exchange as a result of the strengthening of the U.S. dollar against the Japanese yen and euro. Excluding the effect of foreign exchange, general operating expenses increased in the first quarter of 2015 compared to the same period in the prior year, primarily due to the timing of when certain technology-related projects commenced in the prior year.

Net investment income decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to a continued decrease in interest rates during the first quarter of 2015, as yields on new purchases were lower than the weighted average yield of the overall portfolio, lower income on alternative investments, and the effect of foreign exchange due to the U.S. dollar strengthening against most major foreign currencies. In addition, the decrease in net investment income also reflected lower income associated with investments accounted for under the fair value option, as the increase related to the PICC P&C shares was more than offset by a decrease from fixed maturity investments. These were partially offset by the effect of continued portfolio diversification. Additionally, the decrease in net investment income also reflected lower capital required for the Personal Insurance business based on AIG's internal capital allocation model coupled with the refinement of the allocation model for excess net investment income.

See MD&A — Investments for additional information on the Non-Life Insurance Companies invested assets, investment strategy, and asset-liability management process.

Personal Insurance Net Premiums Written

The following table presents Personal Insurance net premiums written by major line of business:

Three Months Ended March 31,			Percentage Change in	
(in millions)	**2015**	2014	U.S. Dollars	Original Currency
Accident & Health	**$ 1,348**	$ 1,438	(6)%	1%
Personal Lines	**1,567**	1,690	(7)	1
Total Personal Insurance net premiums written	**$ 2,915**	$ 3,128	(7)%	1%

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Personal Insurance net premiums written by line of business *(in millions)*

Personal Insurance net premiums written decreased in the first quarter of 2015, compared to the same period in the prior year due to the impact of foreign exchange as the U.S. dollar strengthened against the Japanese yen and euro. Excluding the effect of foreign exchange, net premiums written increased in the first quarter of 2015 compared to the same period in the prior year as the business continued to grow through multiple product and distribution channels.

A&H net premiums written, excluding the effect of foreign exchange, increased in the first quarter of 2015 compared to the same period in the prior year, reflecting growth in our higher education market and supplemental health, partially offset by a decrease in individual travel business in the U.S. due to our focus on maintaining underwriting discipline.

Personal Lines net premiums written, excluding the effect of foreign exchange, increased in the first quarter of 2015 compared to the same period in the prior year. The increase was primarily due to increased production in the automobile and property businesses across all regions, partially offset by decreased production of warranty service programs in the U.S. due to underwriting actions taken in the prior year.

Personal Insurance Net Premiums Written by Region

The following table presents Personal Insurance net premiums written by region:

Three Months Ended March 31, *(in millions)*	**2015**	2014	Percentage Change in U.S. dollars	Percentage Change in Original Currency
Americas	**$ 912**	$ 970	(6)%	(4)%
Asia Pacific	**1,430**	1,541	(7)	3
EMEA	**573**	617	(7)	5
Total net premiums written	**$ 2,915**	$ 3,128	(7)%	1%

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Personal insurance NET PREMIUMS WRITTEN by Region

(in millions)

Americas net premiums written decreased in the first quarter of 2015 compared to the same period in the prior year, primarily due to a decrease in warranty service programs and individual travel business, as discussed above, partially offset by the growth in automobile, health, and personal property businesses.

Asia Pacific net premiums written decreased in the first quarter of 2015, compared to the same period in the prior year due to the strengthening of the U.S. dollar against the Japanese yen. Excluding the effect of foreign exchange, net premiums written increased, primarily due to production increases in A&H, automobile and personal property in Japan.

EMEA net premiums written decreased in the first quarter of 2015 compared to the same period in the prior year. Excluding the effect of foreign exchange, net premiums written increased across all lines of business, particularly for warranty service programs and the automobile business.

Personal Insurance Underwriting Ratios

The following tables present the Personal Insurance combined ratios based on GAAP data and reconciliation to the accident year combined ratio, as adjusted:

			Increase
Three Months Ended March 31,	**2015**	2014	(Decrease)
Loss ratio	**58.8**	59.2	(0.4)

Catastrophe losses and reinstatement premiums	**(2.2)**	(2.7)	0.5
Prior year development net of premium adjustments	**(0.2)**	0.5	(0.7)
Accident year loss ratio, as adjusted	**56.4**	57.0	(0.6)
Acquisition ratio	**27.3**	26.7	0.6
General operating expense ratio	**17.1**	17.1	-
Expense ratio	**44.4**	43.8	0.6
Combined ratio	**103.2**	103.0	0.2
Catastrophe losses and reinstatement premiums	**(2.2)**	(2.7)	0.5
Prior year development net of premium adjustments	**(0.2)**	0.5	(0.7)
Accident year combined ratio, as adjusted	**100.8**	100.8	-

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Personal Insurance ratios Three Months Ended March 31,	

The following tables present Personal Insurance accident year catastrophe and severe losses by region and the number of events:

Catastrophes [(a)]

(in millions)	# of Events		Americas		Asia Pacific		EMEA		Total
Three Months Ended March 31, 2015									
Windstorms and hailstorms	**1**	**$**	**61**	**$**	**-**	**$**	**-**	**$**	**61**
Total catastrophe-related charges	**1**	**$**	**61**	**$**	**-**	**$**	**-**	**$**	**61**
Three Months Ended March 31, 2014									
Windstorms and hailstorms	4	$	41	$	36	$	1	$	78
Total catastrophe-related charges	4	$	41	$	36	$	1	$	78

(a) Catastrophes are generally weather or seismic events having a net impact on AIG in excess of $10 million each.

Severe Losses[(b)]

Three Months Ended March 31, *(in millions)*	# of Events		Americas		Asia Pacific		EMEA		Total
2015	**1**	**$**	**12**	**$**	**-**	**$**	**-**	**$**	**12**
2014	3	$	37	$	4	$	-	$	41

(b) Severe losses are defined as non-catastrophe individual first party losses and surety losses greater than $10 million, net of related reinsurance and salvage and subrogation.

The combined ratio increased by 0.2 points in the first quarter of 2015 compared to the same period in the prior year. The accident year combined ratio, as adjusted, remained unchanged in the first quarter of 2015 compared to the same period in the prior year.

The accident year loss ratio, as adjusted, decreased by 0.6 points in the first quarter of 2015 compared to the same period in the prior year, as a result of improvements across all lines of business. The improvement of the accident year loss ratio, as

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adjusted, for our personal property business was primarily attributable to improved loss experience in Japan, as a result of underwriting and rate actions taken in prior years. The lower loss ratio associated with the warranty service program was offset by an increase in the related profit sharing arrangement, which contributed to the increase in the acquisition ratio in the first quarter of 2015 compared to the same period in the prior year. Severe losses represented 0.4 points and 1.4 points of the accident year loss ratio, as adjusted, in the first quarters of 2015 and 2014, respectively. In addition, several large but not severe losses, primarily affecting personal property and automobile businesses in the U.S. and A&H in EMEA, accounted for $30 million, or 1.1 points, of the accident year loss ratio, as adjusted, in the first quarter of 2015.

The acquisition ratio increased by 0.6 points in the first quarter of 2015 compared to the same period in the prior year, primarily due to an increase in acquisition costs for automobile and personal property businesses in Japan, higher acquisition costs in targeted-growth countries, and the profit sharing arrangement for the warranty service program described above. The increase was partially offset by lower acquisition costs for the A&H business and non-deferred direct marketing expenses.

The general operating expense ratio remained unchanged, reflecting the timing of when certain technology-related projects commenced in the prior year.

CORPORATE AND OTHER

Corporate and Other includes Direct Investment book, Global Capital Markets, AIG Parent and Other, Run-off Insurance Business, and Other Businesses.

Corporate and Other Results

The following table presents AIG's Corporate and Other results:

Three Months Ended March 31,			Percentage
(in millions)	**2015**	2014	Change
Corporate and Other pre-tax operating loss:			
Direct Investment book	**$ 145**	$ 440	(67)%
Global Capital Markets	**114**	29	293
Run-off insurance Lines	**(19)**	5	NM
Other businesses	**235**	-	NM
AIG Parent and Other:			

Equity in pre-tax operating earnings of AerCap[(a)]	**128**	-	NM
Fair value of PICC investments[(b)]	**47**	-	NM
Corporate expenses, net:			
Other income (expense), net	**9**	17	(47)
General operating expenses	**(244)**	(235)	(4)
Total Corporate expenses, net	**(235)**	(218)	(8)
Interest expense	**(276)**	(325)	15
Total AIG Parent and Other operating loss	**(336)**	(543)	38
Consolidation and eliminations	**(1)**	1	NM
Total Corporate and Other pre-tax operating income (loss)	**138**	(68)	NM

(a) Represents our share of AerCap's pre-tax operating income, which excludes certain post-acquisition transaction expenses incurred by AerCap in connection with its acquisition of ILFC and the difference between expensing AerCap's maintenance rights assets over the remaining lease term as compared to the remaining economic life of the related aircraft.

(b) During the first quarter of 2015, Non-Life Insurance Companies sold a portion of their investment in PICC P&C to AIG Parent. During 2014, the Life Insurance Companies sold their investment in PICC Group to AIG Parent.

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Direct Investment Book Results

DIB pre-tax operating income decreased in the first quarter of 2015 compared to the same period in the prior year primarily due to lower fair value appreciation on asset-backed security (ABS) collateralized debt obligations (CDOs) and declines in net credit valuation adjustments on assets and liabilities for which the fair value option was elected.

Fair value appreciation on ABS CDOs was $69 million and $226 million in the first quarters of 2015 and 2014, respectively. The fair value appreciation on the ABS CDOs was higher in the first quarter of 2014 compared to the first quarter of 2015 as the relative improvement in the underlying collateral pricing and amortization was stronger.

Net credit valuation adjustment gains of $35 million and $139 million were recognized in the first quarters of 2015 and 2014, respectively. The decrease resulted primarily from lower gains on assets due to more significant widening of counterparty credit spreads in the first quarter of 2015 compared to the same period in the prior year.

Global Capital Markets Results

GCM's pre-tax operating income increased in the first quarter of 2015 compared to the same period in the prior year primarily due to gains realized upon unwinding certain positions, partially offset by declines in unrealized market valuation gains related to the super senior credit default swap (CDS) portfolio. Unrealized market valuation gains on the CDS portfolio of $57 million and $75 million were recognized in the first quarters of 2015 and 2014, respectively. The decline resulted primarily from amortization and terminations within the CDS portfolio.

Run-off Insurance Lines Results

Run-off insurance lines reported a pre-tax operating loss of $19 million in the first quarter of 2015 compared to income of $5 million in the same period in the prior year, primarily due to higher net reserve discount expense reflecting the update to the discount rates used on excess workers' compensation reserves. See Insurance Reserves – Non-Life Insurance Companies – Discounting of Reserves for further discussion.

Other Businesses

Other businesses' pre-tax operating income improved in the first quarter of 2015 compared to the same period in the prior year due to gains recognized on legacy real estate portfolio investments.

AIG Parent and Other Results

AIG Parent and Other's pre tax operating results have improved in the first quarter 2015 compared to the same period in the prior year primarily due to our share of AerCap's pre-tax operating income, which is accounted for under the equity method, and lower interest expense from ongoing debt management activities described in Liquidity and Capital Resources, partially offset by an increase in general operating expenses.

General operating expenses increased in the first quarter 2015 compared to the same period in the prior year as a result of implementation costs of centralizing processes to lower-cost locations and increased costs related to investments in technology.

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Overview

Our investment strategies are tailored to the specific business needs of each operating unit. The investment objectives are driven by the respective business models for Non-Life Insurance Companies, Life Insurance Companies, and AIG Parent including the DIB. The primary objectives are generation of investment income, preservation of capital, liquidity management and growth of surplus to support the insurance products. The majority of assets backing our insurance liabilities consist of intermediate and long duration fixed maturity securities.

- A decrease in interest rates and narrowing of credit spreads resulted in net unrealized gains in the investment portfolio. Net unrealized gains in our available for sale portfolio increased to approximately $20.8 billion as of March 31, 2015 from approximately $19.0 billion as of December 31, 2014.

- We continued to make investments in structured securities and other fixed maturity securities and increased lending activities in commercial mortgage loans with favorable risk versus return characteristics to improve yields and increase net investment income.

- Net investment income benefitted from positive performance on fixed maturity securities for which we elected the fair value option, primarily driven by lower interest rates, as well as income on alternative investments, which continued to benefit from equity market performance.

- Blended investment yields on new investments were lower than blended rates on investments that were sold, matured or called.

- Other-than-temporary impairments remained at low levels.

Investment Strategies

Investment strategies are based on considerations that include the local and general market conditions, liability duration and cash flow characteristics, rating agency and regulatory capital considerations, legal investment limitations, tax optimization and diversification.

Some of our key investment strategies are as follows:

- Fixed maturity securities held by the U.S. insurance companies included in Non-Life Insurance

Companies consist of a mix of instruments that meet our current risk-return, tax, liquidity, credit quality and diversification objectives.

- Outside of the U.S., fixed maturity securities held by Non-Life Insurance Companies consist primarily of intermediate duration high-grade securities generally denominated in the currencies of the countries in which we operate.

- While more of a focus is placed on asset-liability matching in Life Insurance Companies, our fundamental strategy across all of our investment portfolios is to match the duration characteristics of the liabilities with assets of comparable duration, to the extent practicable.

- AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. AIG Parent's liquidity sources are held in the form of cash, short-term investments and publicly traded, intermediate term investment-

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grade rated fixed maturity securities. Based upon an assessment of its immediate and longer-term funding needs, AIG Parent purchases publicly traded, intermediate term, investment-grade rated fixed maturity securities that can be readily monetized through sales or repurchase agreements. These securities allow us to diversify sources of liquidity while reducing the cost of maintaining sufficient liquidity.

Investments

The following tables summarize the composition of AIG's investments:

(in millions)	Non-Life Insurance Companies	Life Insurance Companies	Corporate and Other	Total
March 31, 2015				
Fixed maturity securities:				
Bonds available for sale, at fair value	**$ 92,979**	**$ 164,842**	**$ 3,001**	**$ 260,822**
Other bond securities, at fair value	**1,678**	**2,956**	**14,379**	**19,013**
Equity securities:				
Common and preferred stock available for sale, at fair value	**3,455**	**96**	**215**	**3,766**
Other Common and preferred stock, at fair value	**352**	**-**	**748**	**1,100**
Mortgage and other loans receivable, net of allowance	**6,573**	**21,183**	**(2,443)**	**25,313**
Other invested assets	**9,730**	**12,321**	**12,787**	**34,838**
Short-term investments	**3,698**	**1,710**	**6,553**	**11,961**
Total investments*	**118,465**	**203,108**	**35,240**	**356,813**
Cash	**1,266**	**401**	**156**	**1,823**
Total invested assets	**$ 119,731**	**$ 203,509**	**$ 35,396**	**$ 358,636**
December 31, 2014				
Fixed maturity securities:				
Bonds available for sale, at fair value	$ 92,942	$ 164,527	$ 2,390	$ 259,859
Other bond securities, at fair value	1,733	2,785	15,194	19,712
Equity securities:				
Common and preferred stock available for sale, at fair value	4,241	150	4	4,395
Other Common and preferred stock, at fair value	495	-	554	1,049
Mortgage and other loans receivable, net of allowance	6,686	20,874	(2,570)	24,990
Other invested assets	10,372	11,916	12,230	34,518
Short-term investments	4,154	2,131	4,958	11,243
Total investments*	120,623	202,383	32,760	355,766
Cash	1,191	451	116	1,758
Total invested assets	$ 121,814	$ 202,834	$ 32,876	$ 357,524

* At March 31, 2015, approximately 91 percent and 9 percent of investments were held by domestic and foreign entities, respectively, compared to approximately 90 percent and 10 percent, respectively, at

December 31, 2014.

The following table presents the components of Net Investment Income:

Three Months Ended March 31, *(in millions)*		**2015**		2014
Interest and dividends	**$**	**3,187**	$	3,304
Alternative investments		**689**		925
Other investment income*		**114**		99
Total investment income		**3,990**		4,328
Investment expenses		**152**		132
Total net investment income	**$**	**3,838**	$	4,196

* Includes changes in fair value of certain fixed maturity securities where the fair value option has been elected and which are used to economically hedge the interest rate risk in GMWB embedded derivatives. For the quarters ended March 31, 2015 and March 31, 2014, the net investment income recorded on these securities was $44 million and $76 million, respectively.

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Net investment income for the first quarter of 2015 decreased compared to the same period in the prior year primarily due to lower reinvestment yields on our fixed maturity securities portfolio due to the low interest rate environment and lower income on alternative investments.

Non-Life Insurance Companies

For the Non-Life Insurance Companies, the duration of liabilities for long-tail casualty lines is greater than that of other lines. As a result, the investment strategy within the Non-Life Insurance Companies focuses on growth of surplus and preservation of capital, subject to liability and other business considerations.

The Non-Life Insurance Companies invest primarily in fixed maturity securities issued by corporations, municipalities and other governmental agencies and also invest in structured securities collateralized by, among other assets, residential and commercial real estate and commercial mortgage loans. While invested assets backing reserves of the Non-Life Insurance Companies are primarily invested in conventional fixed maturity securities, we have continued to allocate a portion of our investment activity into asset classes that offer higher yields, particularly in the domestic operations. In addition, we continue to invest in both fixed rate and floating rate investments for their risk-return attributes, as well as to manage our exposure to potential changes in interest rates. This asset diversification has maintained stable average yields while the overall credit ratings of our fixed maturity securities were largely unchanged. We expect to continue to pursue this investment strategy to meet the Non-Life Insurance Companies' liquidity, duration and credit quality objectives as well as current risk return and tax objectives.

In addition, the Non-Life Insurance Companies seek to enhance returns through investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields and have provided added diversification to the broader portfolio. The Non-Life Insurance Companies' investment portfolio also includes, to a lesser extent, equity securities and other yield-enhancing investments.

With respect to non-affiliate over the counter derivatives, the Non-Life Insurance Companies conduct business with highly rated counterparties and do not expect the counterparties to fail to meet their obligations under the contracts. The Non-Life Insurance Companies have controls in place to monitor credit exposures by limiting transactions with specific counterparties within specified dollar limits and assessing the creditworthiness of counterparties periodically. The Non-Life Insurance Companies generally use ISDA Master Agreements and CSAs with bilateral collateral provisions to reduce counterparty credit exposures.

Fixed maturity investments of the Non-Life Insurance Companies domestic operations, with an intermediate duration of 4.5 years, are currently comprised primarily of tax-exempt securities, which provide attractive risk-adjusted after-tax returns, as well as taxable municipal bonds, government and agency bonds, and corporate bonds. The majority of these high quality investments are rated A or higher based on composite ratings.

Fixed maturity investments held in the Non-Life Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, and short to intermediate duration, averaging 3.3 years.

Life Insurance Companies

The investment strategy of the Life Insurance Companies is to maximize net investment income and portfolio value, subject to liquidity requirements, capital constraints, diversification requirements, asset liability matching and available investment opportunities.

The Life Insurance Companies use asset liability management as a primary tool to monitor and manage risk in their businesses. The Life Insurance Companies fundamental investment strategy is to maintain a diversified, high quality portfolio of fixed maturity securities with the intent to largely match the characteristics of liabilities, including duration, which is a measure of sensitivity to changes in interest rates. The investment portfolio of each product line is tailored to the specific characteristics of its insurance liabilities, and as a result, certain portfolios are shorter in duration and others are longer in

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duration. An extended low interest rate environment may result in a lengthening of liability durations from initial estimates, primarily due to lower lapses.

The Life Insurance Companies invest primarily in fixed maturity securities issued by corporations, municipalities and other governmental agencies; structured securities collateralized by, among other assets, residential and commercial real estate; and commercial mortgage loans.

In addition, the Life Insurance Companies seek to enhance returns through investments in a diversified portfolio of alternative investments. Although these alternative investments are subject to periodic earnings fluctuations, they have historically achieved yields in excess of the fixed maturity portfolio yields. The Life Insurance Companies investment portfolio also includes, to a lesser extent, equity securities and yield enhancing investments.

The Life Insurance Companies monitor fixed income markets, including the level of interest rates, credit spreads and the shape of the yield curve. The Life Insurance Companies frequently review their interest rate assumptions and actively manage the crediting rates used for their new and in-force business. Business strategies continue to evolve to maintain profitability of the overall business in a historically low interest rate environment. The low interest rate environment makes it more difficult to profitably price attractive guaranteed return products and puts margin pressure on existing products, due to the challenge of investing recurring premiums and deposits and reinvesting investment portfolio cash flows in the low rate environment while maintaining satisfactory investment quality and liquidity. In addition, there is investment risk associated with future premium receipts from certain in force business. Specifically, the investment of these future premium receipts may be at a yield below that required to meet future policy liabilities.

Fixed maturity investments of the Life Insurance Companies domestic operations, with an intermediate duration of 6.6 years, are comprised of taxable corporate bonds, as well as taxable municipal and government bonds, and agency and non agency structured securities. The majority of these investments are held in the available for sale portfolio and are rated investment grade based on its composite ratings.

Fixed maturity investments held in the Life Insurance Companies foreign operations are of high quality, primarily rated A or higher based on composite ratings, and intermediate to long duration, averaging 12.8 years.

NAIC Designations of Fixed Maturity Securities

The Securities Valuation Office (SVO) of the National Association of Insurance Companies (NAIC) evaluates the investments of U.S. insurers for statutory reporting purposes and assigns fixed maturity securities to one of six categories called ‘NAIC Designations.’ In general, NAIC Designations of ‘1’ highest quality, or ‘2’ high quality, include fixed maturity securities considered investment grade, while NAIC Designations of ‘3’ through ‘6’ generally include fixed maturity securities referred to as below investment grade. The NAIC has adopted revised rating methodologies for certain structured securities, including non-agency RMBS and CMBS, which are intended to enable a more precise assessment of the value of such structured securities and increase the accuracy in assessing expected losses to better determine the appropriate capital requirement for such structured securities. These methodologies result in an improved NAIC Designation for such securities compared to the rating typically assigned by the three major rating agencies. The following tables summarize the ratings distribution of Life Insurance Companies fixed maturity security portfolio by NAIC Designation, and the distribution by composite AIG credit rating, which is generally based on ratings of the three major rating agencies. See Investments – Credit Ratings herein for a full description of the composite AIG credit ratings.

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The following table presents the fixed maturity security portfolio of Life Insurance Companies categorized by NAIC Designation, at fair value:

March 31, 2015
(in millions)

NAIC Designation	1	2	Total Investment Grade	3	4	5	6	Inves
Other fixed maturity securities	$ 47,281	$ 61,459	$ 108,740	$ 5,303	$ 2,638	$ 241	$ 135	$
Mortgage-backed, asset-backed and collateralized	42,895	1,872	44,767	391	363	161	823	
Total*	$ 90,176	$ 63,331	$ 153,507	$ 5,694	$ 3,001	$ 402	$ 958	$

* Excludes $4.3 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within Life Insurance Companies that require a statutory filing.

The following table presents the fixed maturity security portfolio of Life Insurance Companies categorized by composite AIG credit rating, at fair value:

March 31, 2015
(in millions)

Composite AIG Credit Rating	AAA/AA/A	BBB	Total Investment Grade	BB	B	CCC and Lower
Other fixed maturity securities	$ 47,042	$ 62,076	$ 109,118	$ 4,849	$ 2,793	$ 297 $
Mortgage-backed, asset-backed and collateralized	26,823	3,081	29,904	1,390	1,592	13,619
Total*	$ 73,865	$ 65,157	$ 139,022	$ 6,239	$ 4,385	$ 13,916 $

* Excludes $4.3 billion of fixed maturity securities for which no NAIC Designation is available because they are not held in legal entities within Life Insurance Companies that require a statutory filing.

Credit Ratings

At March 31, 2015, approximately 91 percent of our fixed maturity securities were held by our domestic entities. Approximately 17 percent of such securities were rated AAA by one or more of the principal rating agencies, and approximately 17 percent were rated below investment grade or not rated. Our investment decision process relies primarily on internally generated fundamental analysis and internal risk ratings. Third-party rating services' ratings and opinions provide one source of independent perspective for consideration in the internal analysis.

A significant portion of our foreign entities' fixed maturity securities portfolio is rated by Moody's Investors' Service Inc. (Moody's), Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. (S&P), or similar foreign rating services. Rating services are not available for some foreign-issued securities. Our Credit Risk Management department closely reviews the credit quality of the foreign portfolio's non-rated fixed maturity securities. At March 31, 2015, approximately 17 percent of such investments were either rated AAA or, on the basis of our internal analysis, were equivalent from a credit standpoint to securities rated AAA, and approximately five percent were below investment grade or not rated. Approximately 44 percent of the foreign entities' fixed maturity securities portfolio is comprised of sovereign fixed maturity securities supporting policy liabilities in the country of issuance.

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Composite AIG Credit Ratings

With respect to our fixed maturity investments, the credit ratings in the table below and in subsequent tables reflect: (a) a composite of the ratings of the three major rating agencies, or when agency ratings are not available, the rating assigned by the NAIC SVO - (over 99 percent of total fixed maturity investments), or (b) our equivalent internal ratings when these investments have not been rated by any of the major rating agencies or the NAIC. The "Non-rated" category in those tables consists of fixed maturity securities that have not been rated by any of the major rating agencies, the NAIC or us.

See Enterprise Risk Management herein for a discussion of credit risks associated with Investments.

The following table presents the composite AIG credit ratings of our fixed maturity securities calculated on the basis of their fair value:

	Available for Sale		Other		Total	
(in millions)	**March 31, 2015**	December 31, 2014	**March 31, 2015**	December 31, 2014	**March 31, 2015**	December 31, 2014
Rating:						
Other fixed maturity securities						
AAA	**$ 14,444**	$ 15,463	**$ 5,302**	$ 5,322	**$ 19,746**	$ 20,785
AA	**36,360**	36,730	**183**	224	**36,543**	36,954
A	**55,374**	56,693	**191**	242	**55,565**	56,935
BBB	**75,998**	75,607	**233**	250	**76,231**	75,857
Below investment grade	**11,553**	10,651	**219**	303	**11,772**	10,954
Non-rated	**911**	1,035	**-**	-	**911**	1,035
Total	**$ 194,640**	$ 196,179	**$ 6,128**	$ 6,341	**$ 200,768**	$ 202,520
Mortgage-backed, asset-backed and collateralized						
AAA	**$ 26,056**	$ 24,783	**$ 2,127**	$ 2,313	**$ 28,183**	$ 27,096
AA	**4,351**	4,078	**1,299**	1,549	**5,650**	5,627
A	**7,971**	7,606	**520**	494	**8,491**	8,100
BBB	**4,133**	3,813	**524**	620	**4,657**	4,433
Below investment grade	**23,649**	23,376	**8,343**	8,314	**31,992**	31,690
Non-rated	**22**	24	**72**	81	**94**	105
Total	**$ 66,182**	$ 63,680	**$ 12,885**	$ 13,371	**$ 79,067**	$ 77,051
Total						
AAA	**$ 40,500**	$ 40,246	**$ 7,429**	$ 7,635	**$ 47,929**	$ 47,881
AA	**40,711**	40,808	**1,482**	1,773	**42,193**	42,581

A	**63,345**	64,299	**711**	736	**64,056**	65,035
BBB	**80,131**	79,420	**757**	870	**80,888**	80,290
Below investment grade	**35,202**	34,027	**8,562**	8,617	**43,764**	42,644
Non-rated	**933**	1,059	**72**	81	**1,005**	1,140
Total	**$ 260,822**	$ 259,859	**$ 19,013**	$ 19,712	**$ 279,835**	$ 279,571

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Available for Sale Investments

The following table presents the fair value of our available for sale securities:

(in millions)	Fair Value at March 31, 2015	Fair Value at December 31, 2014
Bonds available for sale:		
U.S. government and government sponsored entities	$ 2,774	$ 2,992
Obligations of states, municipalities and political subdivisions	27,835	27,659
Non-U.S. governments	19,889	21,095
Corporate debt	144,142	144,433
Mortgage-backed, asset-backed and collateralized:		
RMBS	37,732	37,520
CMBS	13,443	12,885
CDO/ABS	15,007	13,275
Total mortgage-backed, asset-backed and collateralized	66,182	63,680
Total bonds available for sale*	260,822	259,859
Equity securities available for sale:		
Common stock	3,060	3,629
Preferred stock	25	25
Mutual funds	681	741
Total equity securities available for sale	3,766	4,395
Total	$ 264,588	$ 264,254

* At March 31, 2015 and December 31, 2014, the fair value of bonds available for sale held by us that were below investment grade or not rated totaled $36.2 billion and $35.1 billion, respectively.

The following table presents the fair value of our aggregate credit exposures to non-U.S. governments for our fixed maturity securities:

(in millions)	March 31, 2015	December 31, 2014
Japan	$ 5,504	$ 5,728
Canada	1,783	2,181
Germany	1,184	1,315
Mexico	642	661
Norway	617	619
United Kingdom	615	648
Netherlands	605	639
France	587	614

Singapore	**551**	545
South Korea	**441**	465
Other	**7,362**	7,682
Total	**$ 19,891**	$ 21,097

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The following table presents the fair value of our aggregate European credit exposures by major sector for our fixed maturity securities:

	March 31, 2015					
(in millions)	Sovereign	Financial Institution	Non-Financial Corporates	Structured Products	Total	December 31, 2014 Total
Euro-Zone countries:						
France	$ 587	$ 1,246	$ 2,366	$ -	$ 4,199	$ 4,498
Netherlands	605	1,234	1,781	446	4,066	4,276
Germany	1,184	322	2,342	28	3,876	4,155
Spain	38	344	1,060	17	1,459	1,557
Italy	9	190	970	12	1,181	1,245
Belgium	225	120	607	-	952	973
Ireland	-	-	683	231	914	850
Luxembourg	-	15	482	18	515	243
Finland	43	29	136	-	208	235
Austria	114	12	11	-	137	155
Other - EuroZone*	686	75	235	2	998	1,022
Total Euro-Zone	$ 3,491	$ 3,587	$ 10,673	$ 754	$ 18,505	$ 19,209
Remainder of Europe						
United Kingdom	$ 615	$ 2,966	$ 8,026	$ 4,019	$ 15,626	$ 16,076
Switzerland	116	1,161	1,602	-	2,879	2,941
Sweden	174	574	266	-	1,014	1,135
Norway	617	59	166	-	842	846
Russian Federation	117	17	125	-	259	311
Other - Remainder of Europe	222	147	115	15	499	494
Total - Remainder of Europe	$ 1,861	$ 4,924	$ 10,300	$ 4,034	$ 21,119	$ 21,803
Total	$ 5,352	$ 8,511	$ 20,973	$ 4,788	$ 39,624	$ 41,012

* At March 31, 2015, we had no material credit exposure to the government of Greece.

Investments in Municipal Bonds

At March 31, 2015, the U.S. municipal bond portfolio of Non-Life Insurance Companies was composed primarily of essential service revenue bonds and high-quality tax-backed bonds with over 96 percent of the portfolio rated A or higher.

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The following table presents the fair values of our available for sale U.S. municipal bond portfolio by state and municipal bond type:

	March 31, 2015				December 31, 2014
(in millions)	State General Obligation	Local General Obligation	Revenue	Total Fair Value	Total Fair Value
State:					
California	$ 742	$ 887	$ 3,207	$ 4,836	$ 4,707
New York	36	640	3,804	4,480	4,116
Texas	273	1,300	1,445	3,018	3,356
Massachusetts	647	-	778	1,425	1,417
Illinois	117	408	845	1,370	1,364
Washington	507	96	655	1,258	1,278
Florida	182	9	852	1,043	1,052
Virginia	81	73	768	922	918
Georgia	286	165	341	792	819
Arizona	-	101	615	716	734
Washington DC	124	-	488	612	607
Ohio	141	36	431	608	604
Pennsylvania	234	40	266	540	537
All other states	1,223	629	4,363	6,215	6,150
Total[(a)(b)]	$ 4,593	$ 4,384	$ 18,858	$ 27,835	$ 27,659

(a) Excludes certain university and not-for-profit entities that issue their bonds in the corporate debt market. Includes industrial revenue bonds.

(b) Includes $3.8 billion of pre-refunded municipal bonds.

Investments in Corporate Debt Securities

The following table presents the industry categories of our available for sale corporate debt securities:

Industry Category *(in millions)*	**Fair Value at March 31, 2015**	Fair Value at December 31, 2014
Financial institutions:		
Money Center /Global Bank Groups	$ 9,907	$ 10,682
Regional banks — other	567	543
Life insurance	3,484	3,575

Securities firms and other finance companies	**426**	422
Insurance non-life	**5,654**	5,625
Regional banks — North America	**6,577**	6,636
Other financial institutions	**7,952**	8,169
Utilities	**23,800**	23,705
Communications	**10,397**	10,316
Consumer noncyclical	**16,834**	16,792
Capital goods	**8,514**	8,594
Energy	**11,925**	12,038
Consumer cyclical	**11,383**	11,197
Basic	**9,363**	9,187
Other	**17,359**	16,952
Total *	**$ 144,142**	$ 144,433

* At March 31, 2015 and December 31, 2014, approximately 92 percent and 93 percent, respectively, of these investments were rated investment grade.

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Investments in RMBS

The following table presents AIG's RMBS available for sale investments by year of vintage:

(in millions)	Fair Value at March 31, 2015	Fair Value at December 31, 2014
Total RMBS		
2015	$ 129	$ -
2014	980	871
2013	2,628	2,724
2012	2,369	2,382
2011	5,242	5,310
2010 and prior*	26,384	26,233
Total RMBS	$ 37,732	$ 37,520
Agency		
2015	$ 45	$ -
2014	888	799
2013	2,533	2,625
2012	2,239	2,234
2011	3,343	3,428
2010 and prior	3,230	3,324
Total Agency	$ 12,278	$ 12,410
Alt-A		
2015	-	-
2014	-	-
2013	-	-
2012	-	-
2011	$ -	$ -
2010 and prior	13,413	13,001
Total Alt-A	$ 13,413	$ 13,001
Subprime		
2015	-	-
2014	-	-
2013	-	-
2012	-	-
2011	-	-
2010 and prior	$ 2,515	$ 2,423
Total Subprime	$ 2,515	$ 2,423
Prime non-agency		

2015	$	-	$	-
2014		-		-
2013		8		8
2012		111		126
2011		1,899		1,882
2010 and prior		6,799		7,047
Total Prime non-agency	$	8,817	$	9,063
Total Other housing related	$	709	$	623

* Includes approximately $13.8 billion and $13.5 billion at March 31, 2015 and December 31, 2014, respectively, of certain RMBS that had experienced deterioration in credit quality since their origination. See Note 6 to the Condensed Consolidated Financial Statements for additional discussion on Purchased Credit Impaired (PCI) Securities.

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The following table presents our RMBS available for sale investments by credit rating:

(in millions)	Fair Value at March 31, 2015	Fair Value at December 31, 2014
Rating:		
Total RMBS		
AAA	$ 14,622	$ 14,699
AA	431	418
A	598	546
BBB	787	911
Below investment grade[(a)]	21,286	20,937
Non-rated	8	9
Total RMBS[(b)]	$ 37,732	$ 37,520
Agency RMBS		
AAA	$ 12,273	$ 12,405
AA	5	5
Total Agency	$ 12,278	$ 12,410
Alt-A RMBS		
AAA	$ 7	$ 7
AA	21	33
A	113	85
BBB	260	317
Below investment grade[(a)]	13,012	12,559
Total Alt-A	$ 13,413	$ 13,001
Subprime RMBS		
AAA	$ 18	$ 18
AA	118	117
A	267	252
BBB	155	207
Below investment grade[(a)]	1,957	1,829
Total Subprime	$ 2,515	$ 2,423
Prime non-agency		
AAA	$ 2,074	$ 2,076
AA	243	253
A	215	205
BBB	335	351
Below investment grade[(a)]	5,942	6,169
Non-rated	8	9
Total prime non-agency	$ 8,817	$ 9,063
Total Other housing related	$ 709	$ 623

(a) Includes certain RMBS that had experienced deterioration in credit quality since their origination. See Note 6 to the Condensed Consolidated Financial Statements for additional discussion on PCI Securities.

(b) The weighted average expected life was six years at both March 31, 2015 and December 31, 2014.

Our underwriting practices for investing in RMBS, other asset backed securities and CDOs take into consideration the quality of the originator, the manager, the servicer, security credit ratings, underlying characteristics of the mortgages, borrower characteristics, and the level of credit enhancement in the transaction.

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Investments in CMBS

The following table presents our CMBS available for sale investments:

(in millions)	Fair Value at March 31, 2015	Fair Value at December 31, 2014
CMBS (traditional)	$ 11,822	$ 11,265
Agency	1,388	1,372
Other	233	248
Total	$ 13,443	$ 12,885

The following table presents the fair value of our CMBS available for sale investments by rating agency designation and by vintage year:

(in millions)	AAA	AA	A	BBB	Below Investment Grade	Non-Rated	Total
March 31, 2015							
Year:							
2015	$ 204	$ 84	$ 96	$ 111	$ -	$ -	$ 495
2014	1,604	193	12	-	-	-	1,809
2013	2,737	452	93	57	-	-	3,339
2012	1,184	62	28	92	-	11	1,377
2011	1,049	20	38	22	-	-	1,129
2010 and prior	1,074	605	955	717	1,943	-	5,294
Total	$ 7,852	$ 1,416	$ 1,222	$ 999	$ 1,943	$ 11	$ 13,443
December 31, 2014							
Year:							
2014	$ 1,570	$ 183	$ 11	$ -	$ -	$ -	$ 1,764
2013	2,684	442	91	58	-	-	3,275
2012	1,158	61	28	92	-	12	1,351
2011	1,022	20	37	21	-	-	1,100
2010 and prior	1,119	626	814	843	1,993	-	5,395
Total	$ 7,553	$ 1,332	$ 981	$ 1,014	$ 1,993	$ 12	$ 12,885

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The following table presents our CMBS available for sale investments by geographic region:

(in millions)	Fair Value at March 31, 2015	Fair Value at December 31, 2014
Geographic region:		
New York	$ 3,116	$ 2,759
California	1,339	1,305
Texas	848	831
Florida	574	562
New Jersey	464	457
Virginia	399	389
Illinois	360	344
Pennsylvania	289	291
Georgia	283	286
Massachusetts	254	247
North Carolina	236	222
Maryland	228	222
All Other*	5,053	4,970
Total	$ 13,443	$ 12,885

* Includes Non-U.S. locations.

The following table presents our CMBS available for sale investments by industry:

(in millions)	Fair Value at March 31, 2015	Fair Value at December 31, 2014
Industry:		
Office	$ 3,915	$ 3,652
Retail	3,840	3,700
Multi-family*	2,917	2,889
Lodging	1,145	1,127
Industrial	769	679
Other	857	838
Total	$ 13,443	$ 12,885

* Includes Agency-backed CMBS.

The fair value of CMBS holdings remained stable during the first quarter of 2015. The majority of our investments in CMBS are in tranches that contain substantial protection features through collateral subordination. The majority of CMBS holdings are traditional conduit transactions, broadly diversified across property types and geographical areas.

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Investments in CDOs

The following table presents our CDO available for sale investments by collateral type:

(in millions)		Fair value at March 31, 2015		Fair value at December 31, 2014
Collateral Type:				
Bank loans (CLO)	$	7,401	$	6,683
Other		384		388
Total	$	7,785	$	7,071

The following table presents our CDO available for sale investments by credit rating:

(in millions)		Fair Value at March 31, 2015		Fair Value at December 31, 2014
Rating:				
AAA	$	2,467	$	1,922
AA		2,319		2,135
A		2,303		2,317
BBB		382		366
Below investment grade		314		331
Total	$	7,785	$	7,071

Commercial Mortgage Loans

At March 31, 2015, we had direct commercial mortgage loan exposure of $19.2 billion. At that date, over 99 percent of the loans were current.

The following table presents the commercial mortgage loan exposure by location and class of loan based on amortized cost:

		Class							
(dollars in millions)	Number of Loans	Apartments	Offices	Retail	Industrial	Hotel	Others	Total	Percent of Total
March 31, 2015									
State:									
New York	90	$ 546	$ 2,136	$ 283	$ 302	$ 68	$ 187	$ 3,522	18%
California	109	28	701	445	504	596	337	2,611	14

New Jersey	45	482	353	307	-	30	33	1,205	6
Texas	57	58	501	118	170	187	55	1,089	6
Florida	83	141	176	358	118	137	152	1,082	6
Illinois	25	174	370	26	72	37	-	679	3
Pennsylvania	50	45	27	390	106	15	6	589	3
Massachusetts	20	3	198	321	-	-	31	553	3
Connecticut	19	279	154	5	99	-	-	537	3
Colorado	19	62	228	48	9	120	24	491	2
Other states	331	903	1,125	1,714	479	308	239	4,768	25
Foreign	149	662	902	74	161	231	16	2,046	11
Total*	997	$ 3,383	$ 6,871	$ 4,089	$ 2,020	$ 1,729	$ 1,080	$ 19,172	100%

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December 31, 2014									
State:									
New York	90	$ 545	$ 2,111	$ 285	$ 148	$ 68	$ 215	$ 3,372	18%
California	115	29	635	389	472	597	469	2,591	14
New Jersey	48	490	353	308	-	30	74	1,255	7
Florida	89	141	192	335	118	137	161	1,084	6
Texas	58	62	482	121	171	187	54	1,077	6
Illinois	24	175	327	26	73	36	-	637	3
Massachusetts	19	-	198	321	-	-	34	553	3
Colorado	18	62	158	48	-	120	101	489	2
Connecticut	23	279	155	5	43	-	-	482	2
Pennsylvania	49	45	89	170	107	16	5	432	2
Other states	349	920	1,140	1,738	494	310	281	4,883	26
Foreign	142	636	678	78	63	176	423	2,054	11
Total*	1,024	$ 3,384	$ 6,518	$ 3,824	$ 1,689	$ 1,677	$ 1,817	$ 18,909	100%

* Does not reflect allowance for losses.

See Note 7 to the Consolidated Financial Statements in the 2014 Annual Report for additional discussion on commercial mortgage loans.

Impairments

The following table presents impairments by investment type:

Three Months Ended March 31, *(in millions)*	2015	2014
Other-than-temporary Impairments:		
Fixed maturity securities, available for sale	$ 90	$ 53
Equity securities, available for sale	7	1
Private equity funds and hedge funds	31	5
Subtotal	128	59
Other impairments:		
Investments in life settlements	70	42
Other investments	22	49
Real estate	3	-
Total	$ 223	$ 150

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Other-Than-Temporary Impairments

To determine other-than-temporary impairments, we use fundamental credit analyses of individual securities without regard to rating agency ratings. Based on this analysis, we expect to receive cash flows sufficient to cover the amortized cost of all below investment grade securities for which credit impairments were not recognized.

The following tables present other-than-temporary impairment charges recorded in earnings on fixed maturity securities, equity securities, private equity funds and hedge funds.

Other-than-temporary impairment charges by reportable segment and impairment type:

(in millions)	Non-Life Insurance Companies	Life Insurance Companies	Corporate and Other Operations	Total
Three Months Ended March 31, 2015				
Impairment Type:				
Severity	**$ 2**	**$ -**	**$ -**	**$ 2**
Change in intent	**2**	**22**	**-**	**24**
Foreign currency declines	**12**	**17**	**-**	**29**
Issuer-specific credit events	**27**	**41**	**-**	**68**
Adverse projected cash flows	**2**	**3**	**-**	**5**
Total	**$ 45**	**$ 83**	**$ -**	**$ 128**
Three Months Ended March 31, 2014				
Impairment Type:				
Severity	$ -	$ -	$ -	$ -
Change in intent	-	5	-	5
Foreign currency declines	1	3	-	4
Issuer-specific credit events	14	35	-	49
Adverse projected cash flows	-	1	-	1
Total	$ 15	$ 44	$ -	$ 59

Other-than-temporary impairment charges by investment type and impairment type:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended March 31, 2015						
Impairment Type:						
Severity	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2**	**$ 2**

Change in intent		**-**		**-**		**-**		**24**		**-**		**24**
Foreign currency declines		**-**		**-**		**-**		**29**		**-**		**29**
Issuer-specific credit events		**21**		**-**		**3**		**8**		**36**		**68**
Adverse projected cash flows		**5**		**-**		**-**		**-**		**-**		**5**
Total	**$**	**26**	**$**	**-**	**$**	**3**	**$**	**61**	**$**	**38**	**$**	**128**
Three Months Ended March 31, 2014												
Impairment Type:												
Severity	$	-	$	-	$	-	$	-	$	-	$	-
Change in intent		-		-		-		5		-		5
Foreign currency declines		-		-		-		4		-		4
Issuer-specific credit events		14		1		21		7		6		49
Adverse projected cash flows		1		-		-		-		-		1
Total	$	15	$	1	$	21	$	16	$	6	$	59

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

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Other-than-temporary impairment charges by investment type and credit rating:

(in millions)	RMBS	CDO/ABS	CMBS	Other Fixed Maturity	Equities/Other Invested Assets*	Total
Three Months Ended March 31, 2015						
Rating:						
AAA	**$ -**	**$ -**	**$ -**	**$ 4**	**$ -**	**$ 4**
AA	**-**	**-**	**-**	**6**	**-**	**6**
A	**-**	**-**	**-**	**6**	**-**	**6**
BBB	**-**	**-**	**-**	**12**	**-**	**12**
Below investment grade	**26**	**-**	**3**	**30**	**-**	**59**
Non-rated	**-**	**-**	**-**	**3**	**38**	**41**
Total	**$ 26**	**$ -**	**$ 3**	**$ 61**	**$ 38**	**$ 128**
Three Months Ended March 31, 2014						
Rating:						
AAA	$ -	$ -	$ -	$ -	$ -	$ -
AA	2	-	-	1	-	3
A	-	-	-	-	-	-
BBB	-	-	-	1	-	1
Below investment grade	13	1	21	14	-	49
Non-rated	-	-	-	-	6	6
Total	$ 15	$ 1	$ 21	$ 16	$ 6	$ 59

* Includes other-than-temporary impairment charges on private equity funds, hedge funds and direct private equity investments.

We recorded other-than-temporary impairment charges in the first quarters of 2015 and 2014 related to:

- issuer-specific credit events;
- securities that we intend to sell or for which it is more likely than not that we will be required to sell;
- declines due to foreign exchange rates;
- adverse changes in estimated cash flows on certain structured securities; and
- securities that experienced severe market valuation declines.

In addition, impairments are recorded on real estate and investments in life settlements.

There was no significant impact to our consolidated financial condition or results of operations from other-than-temporary impairment charges for any one single credit. Also, no individual other-than-temporary impairment charge exceeded 0.01 percent of total equity at either March 31, 2015 or March 31, 2014.

In periods subsequent to the recognition of an other-than-temporary impairment charge for available for sale fixed maturity securities that is not foreign-exchange related, we generally prospectively accrete into earnings the difference between the new amortized cost and the expected undiscounted recoverable value over the remaining life of the security. The accretion that was recognized for these securities in earnings was $188 million in both three-month periods ended March 31, 2015 and 2014. See Note 6 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of our other-than-temporary impairment accounting policy.

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The following table shows the aging of the pre-tax unrealized losses of fixed maturity and equity securities, the extent to which the fair value is less than amortized cost or cost, and the number of respective items in each category:

March 31, 2015	Less Than or Equal to 20% of Cost[b]			Greater Than 20% to 50% of Cost[b]			Greater Than 50% of Cost[b]			Total		
Aging[a]		Unrealized			Unrealized			Unrealized			Unrealized	
(dollars in millions)	Cost[c]	Loss	Items[e]	Cost[c]	Loss	Items[e]	Cost[c]	Loss	Items[e]	Cost[c]	Loss[d]	Items
Investment grade bonds												
0-6 months	$14,648	$ 265	1,736	$ 4	$ 1	2	$ -	$ -	-	$14,652	$ 266	1,73
7-11 months	2,650	104	390	84	18	10	-	-	-	2,734	122	40
12 months or more	8,061	364	786	179	48	59	16	10	3	8,256	422	84
Total	$25,359	$ 733	2,912	$ 267	$ 67	71	$ 16	$ 10	3	$25,642	$ 810	2,98
Below investment grade bonds												
0-6 months	$ 4,552	$ 129	932	$ 225	$ 51	20	$ 1	$ 1	2	$ 4,778	$ 181	95
7-11 months	2,550	107	511	70	19	29	-	-	-	2,620	126	54
12 months or more	3,449	211	443	471	133	51	16	10	9	3,936	354	50
Total	$10,551	$ 447	1,886	$ 766	$ 203	100	$ 17	$ 11	11	$11,334	$ 661	1,99
Total bonds												
0-6 months	$19,200	$ 394	2,668	$ 229	$ 52	22	$ 1	$ 1	2	$19,430	$ 447	2,69
7-11 months	5,200	211	901	154	37	39	-	-	-	5,354	248	94
12 months or more	11,510	575	1,229	650	181	110	32	20	12	12,192	776	1,35
Total[e]	$35,910	$1,180	4,798	$ 1,033	$ 270	171	$ 33	$ 21	14	$36,976	$ 1,471	4,98
Equity securities												
0-11 months	$ 355	$ 45	76	$ 33	$ 10	36	$ -	$ -	-	$ 388	$ 55	11
Total	$ 355	$ 45	76	$ 33	$ 10	36	$ -	$ -	-	$ 388	$ 55	11

(a) Represents the number of consecutive months that fair value has been less than cost by any amount.

(b) Represents the percentage by which fair value is less than cost at March 31, 2015.

(c) For bonds, represents amortized cost.

(d) The effect on Net income of unrealized losses after taxes will be mitigated upon realization because certain realized losses will result in current decreases in the amortization of certain DAC.

(e) Item count is by CUSIP by subsidiary.

Change in Unrealized Gains and Losses on Investments

The change in net unrealized gains and losses on investments in the first quarter of 2015 was primarily attributable to increases in the fair value of fixed maturity securities. For the first quarter of 2015, net unrealized gains related to fixed maturity and equity securities increased by $1.8 billion due to a decrease in interest rates and narrowing of credit spreads.

The change in net unrealized gains and losses on investments for the first quarter of 2014 was primarily attributable to increases in the fair value of fixed maturity securities. Net unrealized gains related to fixed maturity and equity securities increased in the first quarter of 2014 by $3.9 billion primarily due to the decrease in interest rates.

See Note 6 to the Condensed Consolidated Financial Statements for additional discussion of our investment portfolio.

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The following section provides discussion of insurance reserves for both the Non-Life Insurance Companies and the Life Insurance Companies.

Non-Life Insurance Companies

The following section provides discussion of the consolidated liability for unpaid losses and loss adjustment expenses for the Non-Life Insurance Companies.

The following table presents the components of AIG's gross loss reserves by major lines of business on a U.S. statutory basis*:

(in millions)	March 31, 2015	December 31, 2014
Other liability occurrence (including asbestos and environmental)	$ 18,685	$ 19,444
International	16,477	16,932
Workers' compensation (net of discount)	14,634	14,914
Other liability claims made	9,501	10,051
Property	2,942	3,515
Auto liability	2,139	2,237
Products liability	1,442	1,439
Medical malpractice	1,563	1,626
Mortgage guaranty / credit	950	1,008
Accident and health	1,118	1,271
Commercial multiple peril	1,869	1,886
Aircraft	1,414	1,402
Fidelity/surety	633	504
Other	1,123	1,031
Total	$ 74,490	$ 77,260

* Presented by lines of business pursuant to statutory reporting requirements as prescribed by the NAIC.

Gross loss reserves represent the accumulation of estimates of ultimate losses, including estimates for IBNR and loss expenses, less estimated salvage and subrogation and applicable discount. The Non-Life Insurance Companies regularly review and update the methods and assumptions used to determine loss reserve estimates and to establish the resulting reserves. Any adjustments resulting from this review are reflected in pre tax operating income. Because loss reserve estimates are subject to the outcome of future events, changes in estimates are unavoidable given that loss trends vary and time is often required for changes in trends to be recognized and confirmed. Reserve changes that increase prior years' estimates of ultimate cost are referred to as unfavorable or adverse development or reserve strengthening. Reserve changes that decrease prior years' estimates of ultimate cost are referred to as favorable development. Net loss reserves represent gross loss reserves reduced by reinsurance recoverable, net of an allowance for unrecoverable reinsurance.

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The following table presents the components of net loss reserves:

(in millions)	March 31, 2015	December 31, 2014
Gross loss reserves before reinsurance and discount	$ 77,402	$ 80,337
Less: discount	(2,912)	(3,077)
Gross loss reserves, net of discount, before reinsurance	74,490	77,260
Less: reinsurance recoverable*	(14,347)	(15,648)
Net liability for unpaid losses and loss adjustment expenses	$ 60,143	$ 61,612

* Includes $1.4 billion and $1.5 billion of reinsurance recoverable under a retroactive reinsurance agreement at March 31, 2015 and December 31, 2014, respectively.

Gross loss reserves before reinsurance and discount are net of contractual deductible recoverable amounts due from policyholders of approximately $12.3 billion and $12.4 billion at March 31, 2015 and December 31, 2014, respectively. These recoverable amounts are related to certain policies with high deductibles (in excess of high dollar amounts retained by the insured through self-insured retentions, deductibles, retrospective programs, or captive arrangements; each referred to generically as “deductibles”), primarily for U.S. commercial casualty business, where the Non-Life Insurance Companies manage and pay the entire claim on behalf of the insured and are reimbursed by the insured for the deductible portion of the claim. At March 31, 2015 and December 31, 2014, the Non-Life Insurance Companies held collateral totaling $9.6 billion and $9.4 billion, respectively, for these deductible recoverable amounts, consisting primarily of letters of credit and assets in trusts.

The following table classifies the components of net loss reserves by business unit:

(in millions)	March 31, 2015	December 31, 2014
Property Casualty:		
Casualty	$ 32,658	$ 33,065
Financial lines	9,275	9,538
Specialty	5,750	5,786
Property	3,693	4,079
Total Property Casualty	51,376	52,468
Mortgage Guaranty	922	977
Personal Insurance		
Personal lines	2,836	2,763
Accident and health	1,669	1,878
Total Personal Insurance	4,505	4,641
Other run-off insurance lines	3,340	3,526
Net liability for unpaid losses and loss adjustment expenses	$ 60,143	$ 61,612

Discounting of Reserves

The following table presents the components of loss reserve discount included above:

	March 31, 2015			December 31, 2014		
(in millions)	Property Casualty	Run-off Insurance Lines	Total	Property Casualty	Run-off Insurance Lines	Total
U.S. workers' compensation:						
Tabular	$ 623	$ 229	$ 852	$ 623	$ 229	$ 852
Non-tabular	1,432	618	2,050	1,525	689	2,214
Asbestos	-	10	10	-	11	11
Total reserve discount	$ 2,055	$ 857	$ 2,912	$ 2,148	$ 929	$ 3,077

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The following table presents the net reserve discount benefit (charge):

Three Months Ended March 31,	**2015**			2014		
(in millions)	**Property Casualty**	**Run-off Insurance Lines**	**Total**	Property Casualty	Run-off Insurance Lines	Total
Current accident year	**$ 46**	**$ -**	**$ 46**	$ 42	$ -	$ 42
Accretion and other adjustments to prior year discount	**(67)**	**(24)**	**(91)**	(26)	(21)	(47)
Effect of interest rate changes	**(72)**	**(48)**	**(120)**	-	-	-
Effect of re-pooling	**-**	**-**	**-**	110	-	110
Net reserve discount benefit (charge)	**$ (93)**	**$ (72)**	**$ (165)**	$ 126	$ (21)	$ 105
Comprised of:						
U.S. Workers' compensation	**$ (93)**	**$ (71)**	**$ (164)**	$ 126	$ (18)	$ 108
Asbestos	**$ -**	**$ (1)**	**$ (1)**	$ -	$ (3)	$ (3)

U.S. Workers' Compensation

The Non-Life Insurance Companies discount certain workers' compensation reserves in accordance with practices prescribed or permitted by New York, Pennsylvania and Delaware. New York rules generally do not permit non-tabular discounting on IBNR and prescribe a fixed 5 percent discount rate for application to case reserves. Pennsylvania permits non-tabular discounting of IBNR and, commencing in 2013, approved variable discount rates determined using risk-free rates based on the U.S. Treasury forward yield curve plus a liquidity margin, applicable to IBNR and case reserves. Delaware has permitted discounting on the same basis as the Pennsylvania domiciled companies.

The net reduction in workers' compensation discount in the first quarter of 2015 of $164 million is primarily due to the decline from fourth quarter 2014 in the rates used for discounting under the prescribed or permitted practices. Approximately $120 million of the decrease in the loss reserve discount is due to the decline in discount rates, with Treasury rates generally falling along the payout pattern horizon in the first quarter of 2015. A further reduction from the accretion of discount on reserves for accident years 2014 and prior was partially offset by the effects of the discount attributable to newly established reserves for accident year 2015.

On January 1, 2014, the Non-Life Insurance Companies merged their two internal pooling arrangements into one pool, and changed the participation percentages of the pool members resulting in a reallocation of reserves from New York domiciled companies to those domiciled in Pennsylvania and Delaware. As a result of these changes in the participation percentages and domiciliary states of the participants of the combined pool, the Non-Life Insurance Companies recognized a discount benefit of $110 million in the first quarter of 2014.

Quarterly Reserving Conclusion

AIG net loss reserves represent our best estimate of the liability for net losses and loss adjustment expenses as of March 31, 2015. While we regularly review the adequacy of established loss reserves, there can be no assurance that our ultimate loss reserves will not develop adversely in future years and materially exceed our loss reserves as of March 31, 2015. In our opinion, such adverse development and resulting increase in reserves are not likely to have a material adverse effect on our consolidated financial condition, although such events could have a material adverse effect on our consolidated results of operations for an individual reporting period.

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The following table presents the rollforward of net loss reserves:

Three Months Ended March 31, *(in millions)*	2015	2014
Net liability for unpaid losses and loss adjustment expenses at beginning of period	$ 61,612	$ 64,316
Foreign exchange effect	(804)	(51)
Change due to retroactive asbestos reinsurance transaction	50	4
Losses and loss adjustment expenses incurred:		
Current year, undiscounted	4,953	5,371
Prior years unfavorable development, undiscounted[(a)]	24	185
Change in discount	165	(105)
Losses and loss adjustment expenses incurred[(b)]	5,142	5,451
Losses and loss adjustment expenses paid[(b)]	5,857	5,764
Net liability for unpaid losses and loss adjustment expenses at end of period	$ 60,143	$ 63,956

(a) See tables below for details of prior year development by business unit, accident year and major class of business.

(b) These amounts exclude benefit from retroactive reinsurance.

The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss expenses for prior years, net of reinsurance, by business unit and major class of business:

Three Months Ended March 31, *(in millions)*	2015	2014
Prior accident year development by major class of business:		
Property Casualty - U.S. & Canada:		
Excess casualty	$ 107	$ 13
Financial lines including professional liability	5	(17)
Primary casualty:		
Loss-sensitive (offset by premium adjustments below)	(11)	(4)
Other	15	38
Specialty	14	65
Property excluding natural catastrophes	(58)	(22)
Natural catastrophes	(32)	(42)
All other, net	26	48
Total Property Casualty - U.S. & Canada	66	79

Property Casualty International:		
Excess casualty	**-**	-
Primary casualty	**1**	(14)
Financial lines	**(2)**	103
Specialty	**(10)**	10
Property excluding natural catastrophes	**(35)**	(17)
Natural catastrophes	**(1)**	(5)
All other, net	**(2)**	-
Total Property Casualty - International	**(49)**	77
Total Property Casualty	**17**	156
Mortgage Guaranty	**-**	27

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Consumer Personal Insurance - U.S. & Canada:				
Natural catastrophes		**(4)**		(1)
All other, net		**(14)**		(27)
Total Consumer Personal Insurance - U.S. & Canada		**(18)**		(28)
Consumer Personal Insurance - International:				
Natural catastrophes		**-**		(5)
All other, net		**22**		19
Total Consumer Personal Insurance - International		**22**		14
Total Consumer Personal Insurance		**4**		(14)
Run-off Insurance Lines - U.S. & Canada:				
Asbestos and environmental (1986 and prior)		**3**		17
Total Run-off Insurance Lines - U.S. & Canada		**3**		17
Run-off Insurance Lines - International:				
Total all other, net		**-**		(1)
Total Run-off Insurance Lines - International		**-**		(1)
Total Run-off Insurance Lines		**3**		16
Total prior year unfavorable development	**$**	**24**	$	185
Premium adjustments on primary casualty loss sensitive business		**11**		4
Total prior year development, net of premium adjustments	**$**	**35**	$	189

Net Loss Development

In determining the loss development from prior accident years, AIG analyzes and evaluates the change in estimated ultimate loss for each accident year by class of business. For example, if loss emergence for a class of business is different than expected for certain accident years, we examine the indicated effect such emergence would have on the reserves of that class of business. In some cases, the higher or lower than expected emergence may result in no clear change in the ultimate loss estimate for the accident years in question, and no adjustment would be made to the reserves for the class of business for prior accident years. In other cases, the higher or lower than expected emergence may result in a large change, either favorable or unfavorable. As appropriate, we make adjustments for the difference between the actual and expected loss emergence for each accident year. As part of our reserving process, we also consider notices of claims received with respect to emerging and/or evolving issues.

In the first quarter of 2015, the adverse prior year loss reserve development was $35 million, which was driven by increased automobile claim severity in Excess and Primary Casualty, partially offset by Property excluding natural catastrophes, both domestically and internationally.

We recognized return premiums on loss sensitive business of $11 million and $4 million for the first quarters of 2015 and 2014, respectively, which entirely offset favorable development in that business.

See Results of Operations — Commercial Insurance and Results of Operations — Consumer Personal Insurance Results herein for further discussion of net loss development.

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The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss adjustment expenses for prior years, net of reinsurance, by accident year:

Three Months Ended March 31,		
(in millions)	**2015**	2014
Prior accident year development by accident year:		
Accident Year		
2014	**$ (62)**	$ -
2013	**(5)**	(60)
2012	**33**	(47)
2011	**6**	58
2010	**5**	54
2009	**(10)**	48
2008	**(10)**	57
2007	**11**	12
2006	**(5)**	2
2005	**(1)**	(1)
2004 and prior (see table below)	**62**	62
Total prior year unfavorable development	**$ 24**	$ 185

The following table summarizes development, (favorable) or unfavorable, of incurred losses and loss adjustment expenses for accident year 2004 and prior by major class of business and driver of development:

Three Months Ended March 31,		
(in millions)	**2015**	2014
2004 and prior accident year development by major class of business and driver of development:		
Excess Casualty - all other	**$ -**	$ 12
Primary Casualty - loss sensitive business[(a)]	**(12)**	(3)
Primary Casualty - all other[(b)]	**(2)**	18
Asbestos and Environmental (1986 and prior)	**3**	17
Commutations and Arbitrations[(c)]	**24**	-
All Other	**49**	18
Total prior year unfavorable development	**$ 62**	$ 62

(a) Loss sensitive business that is offset by premium adjustments and has no income statement impact. Approximated based on prior accident year development recognized from policy year premium charges.

(b) Includes loss development on excess of deductible exposures in workers' compensation, general liability and commercial auto.

(c) The effects of commutations and arbitrations are shown separately from the related classes of business, Commutations and arbitrations are reflected for the years in which they were contractually binding.

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Asbestos and Environmental Reserves

Loss Reserve Estimates - Asbestos and Environmental

We consider a number of factors and recent experience, in addition to the results of both external and internal analyses, to estimate asbestos and environmental loss reserves. Nonetheless, we believe that significant uncertainty remains as to our ultimate liability for asbestos and environmental claims, which is due to several factors, including:

- the long latency period between asbestos exposure and disease manifestation, leading to the potential for involvement of multiple policy periods for individual claims;
- claims filed under the non aggregate premises or operations section of general liability policies;
- the number of insureds seeking bankruptcy protection and the effect of prepackaged bankruptcies;
- diverging legal interpretations; and
- the difficulty in estimating the allocation of remediation cost among various parties with respect to environmental claims.

As described more fully in the 2014 Annual Report, our reserves relating to asbestos and environmental claims reflect comprehensive ground up and top-down analyses performed periodically. In the first quarter of 2015, we increased our gross asbestos reserves by $7 million and our net asbestos reserves by $3 million primarily to reflect an increase in one account and accretion of discount. There was no additional incurred loss for environmental claims in the first quarter of 2015.

In addition to the U.S. asbestos and environmental reserve amounts shown in the tables below, the Non-Life Insurance Companies also have asbestos reserves relating to foreign risks written by non U.S. entities of $125 million gross and $99 million net as of March 31, 2015. The asbestos reserves relating to non U.S. risks written by non U.S. entities were $132 million gross and $105 million net as of December 31, 2014.

The following table provides a summary of reserve activity, including estimates for applicable IBNR, relating to asbestos and environmental claims:

As of or for the Three Months Ended March 31,	2015		2014	
(in millions)	Gross	Net	Gross	Net
Asbestos:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	$ 4,117	$ 388	$ 4,720	$ 529
Change in net loss reserves due to retroactive reinsurance:				
Paid losses recoverable under retroactive reinsurance contracts	-	50	-	5
Re-estimation of amounts recoverable under retroactive reinsurance contracts[(a)]	-	(1)	-	(1)
Change in net loss reserves due to retroactive reinsurance	-	49	-	4
Losses and loss adjustment expenses incurred:				
Undiscounted	4	2	3	17
Change in discount	3	1	6	3
Losses and loss adjustment expenses incurred[(b)]	7	3	9	20
Losses and loss adjustment expenses paid[(b)]	(227)	(117)	(113)	(74)
Liability for unpaid losses and loss adjustment expenses at end of period	$ 3,897	$ 323	$ 4,616	$ 479
Environmental:				
Liability for unpaid losses and loss adjustment expenses at beginning of year	$ 368	$ 185	$ 313	$ 163
Losses and loss adjustment expenses incurred	-	-	-	-
Losses and loss adjustment expenses paid	(7)	(8)	(14)	(5)
Liability for unpaid losses and loss adjustment expenses at end of period	$ 361	$ 177	$ 299	$ 158

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Combined:				
Liability for unpaid losses and loss adjustment expenses				
at beginning of year	**$ 4,485**	**$ 573**	$ 5,033	$ 692
Change in net loss reserves due to retroactive reinsurance:				
Paid losses recoverable under retroactive reinsurance contracts	**-**	**50**	-	5
Re-estimation of amount recoverable under retroactive				
reinsurance contracts	**-**	**(1)**	-	(1)
Change in net loss reserves due to retroactive reinsurance	**-**	**49**	-	4
Losses and loss adjustment expenses incurred:				
Undiscounted	**4**	**2**	3	17
Change in discount	**3**	**1**	6	3
Losses and loss adjustment expenses incurred	**7**	**3**	9	20
Losses and loss adjustment expenses paid	**(234)**	**(125)**	(127)	(79)
Liability for unpaid losses and loss adjustment expenses				
at end of period	**$ 4,258**	**$ 500**	$ 4,915	$ 637

(a) Re-estimation of amounts recoverable under retroactive reinsurance contracts includes effect of changes in reserve estimates and changes in discount.

(b) These amounts exclude benefit from retroactive reinsurance.

Life Insurance Companies DAC and Reserves

The following section provides discussion of deferred policy acquisition costs and insurance reserves for Life Insurance Companies.

DAC

The following table summarizes the major components of the changes in Life Insurance Companies DAC, including VOBA:

Three Months Ended March 31,		
(in millions)	**2015**	2014
Balance, beginning of year	**$ 7,258**	$ 6,920
Acquisition costs deferred	**280**	319
Amortization expense:		
Related to realized capital gains and losses	**(34)**	37

The following table summarizes the major components of the changes in Life Insurance Companies DAC, including

All other operating amortization	**(233)**	(227)
Increase (decrease) in DAC due to foreign exchange	**(30)**	(25)
Change related to unrealized depreciation (appreciation) of investments	**(110)**	(319)
Balance, end of period*	**$ 7,131**	$ 6,705

* DAC balance excluding the amount related to unrealized depreciation (appreciation) of investments was $8.6 billion and $8.1 billion at March 31, 2015 and March 31, 2014, respectively.

Estimated Gross Profits for Investment-Oriented Products

Policy acquisition costs and policy issuance costs that are incremental and directly related to the successful acquisition of new or renewal of existing contracts for investment-oriented products are deferred and amortized, with interest, in relation to the incidence of estimated gross profits to be realized over a period that approximates the estimated lives of the contracts. Estimated gross profits include net investment income and spreads, net realized capital gains and losses, fees, surrender charges, expenses, and mortality gains and losses. If the assumptions used for estimated gross profits change significantly, DAC and related reserves (which may include VOBA, SIA, guaranteed benefit reserves and URR) are recalculated using the new assumptions, and any resulting adjustment is included in income. Updating such assumptions may result in acceleration of amortization in some products and deceleration of amortization in other products.

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DAC and Reserves Related to Unrealized Appreciation of Investments

DAC for universal life and investment-type products (collectively, investment-oriented products) is adjusted at each balance sheet date to reflect the change in DAC as if fixed maturity and equity securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (shadow DAC). The change in shadow DAC generally moves in the opposite direction of the change in unrealized appreciation of the available for sale securities portfolio. In addition, significant unrealized appreciation of investments in a prolonged low interest rate environment may cause additional future policy benefit liabilities to be recorded (shadow loss reserves). The increase in the Life Insurance Companies' unrealized appreciation of investments in the first quarter of 2015 of $1.6 billion, which was driven by the decline in market interest rates, resulted in a decrease in shadow DAC and an increase in shadow loss reserves. Shadow loss reserves were $1.6 billion at March 31, 2015 and $1.2 billion at December 31, 2014.

Life Insurance Companies Reserves

The following table presents a rollforward of Life Insurance Companies' insurance reserves, including separate accounts and mutual fund assets under management, by operating segment:

Three Months Ended March 31, *(in millions)*	2015	2014
Institutional Markets:		
Balance at beginning of period, gross	$ 35,080	$ 32,100
Premiums and deposits	146	147
Surrenders and withdrawals	(29)	(70)
Death and other contract benefits	(379)	(353)
Subtotal	(262)	(276)
Change in fair value of underlying assets and reserve accretion, net of policy fees	258	356
Cost of funds	102	100
Other reserve changes	(58)	(41)
Balance at end of period	35,120	32,239
Reserves related to unrealized appreciation of investments	1,388	511
Reinsurance ceded	(5)	(5)
Total insurance reserves	$ 36,503	$ 32,745
Retirement:		
Balance at beginning of period, gross	$ 204,627	$ 195,493
Premiums and deposits	5,522	6,016
Surrenders and withdrawals	(4,426)	(4,317)
Death and other contract benefits	(927)	(844)
Subtotal	169	855

Change in fair value of underlying assets and reserve accretion, net of policy fees	**2,188**	1,484
Cost of funds	**673**	689
Other reserve changes	**44**	13
Balance at end of period	**207,701**	198,534
Reserves related to unrealized appreciation of investments	**139**	124
Reinsurance ceded	**(363)**	(364)
Total insurance reserves and mutual fund assets under management	**$ 207,477**	$ 198,294

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Life:		
Balance at beginning of period, gross	**$ 33,536**	$ 32,810
Premiums and deposits	**1,223**	1,187
Surrenders and withdrawals	**(222)**	(216)
Death and other contract benefits	**(247)**	(190)
Subtotal	**754**	781
Change in fair value of underlying assets and reserve accretion, net of policy fees	**(142)**	(172)
Cost of funds	**124**	126
Other reserve changes	**(790)**	(728)
Balance at end of period	**33,482**	32,817
Reserves related to unrealized appreciation of investments	**-**	-
Reinsurance ceded	**(1,440)**	(1,341)
Total insurance reserves	**$ 32,042**	$ 31,476
Total Life Insurance Companies:		
Balance at beginning of period, gross	**$ 273,243**	$ 260,403
Premiums and deposits	**6,891**	7,350
Surrenders and withdrawals	**(4,677)**	(4,603)
Death and other contract benefits	**(1,553)**	(1,387)
Subtotal	**661**	1,360
Change in fair value of underlying assets and reserve accretion, net of policy fees	**2,304**	1,668
Cost of funds	**899**	915
Other reserve changes	**(804)**	(756)
Balance at end of period	**276,303**	263,590
Reserves related to unrealized appreciation of investments	**1,527**	635
Reinsurance ceded	**(1,808)**	(1,710)
Total insurance reserves and mutual fund assets under management	**$ 276,022**	$ 262,515

Life Insurance Companies insurance reserves including separate accounts and mutual fund assets under management were comprised of the following balances:

(in millions)	**March 31, 2015**	December 31, 2014
Future policy benefits*	**$ 41,116**	$ 40,931
Policyholder contract deposits	**125,071**	124,716
Separate account liabilities	**82,129**	80,025
Total insurance reserves	**248,316**	245,672
Mutual fund assets under management	**27,706**	27,052
Total insurance reserves and mutual fund assets under management	**$ 276,022**	$ 272,724

* Excludes certain intercompany assumed reinsurance.

DAC and Reserves Related to Unrealized Appreciation of Investments

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Overview

Liquidity refers to the ability to generate sufficient cash resources to meet our payment obligations. It is defined as cash and unencumbered assets that can be monetized in a short period of time at a reasonable cost. We manage our liquidity prudently through various risk committees, policies and procedures, and a stress testing and liquidity framework established by Enterprise Risk Management (ERM). Our liquidity framework is designed to measure both the amount and composition of our liquidity to meet financial obligations in both normal and stressed markets. See Enterprise Risk Management — Risk Appetite, Limits, Identification, and Measurement in the 2014 Annual Report and Enterprise Risk Management — Liquidity Risk Management below for additional information.

Capital refers to the long-term financial resources available to support the operation of our businesses, fund business growth, and cover financial and operational needs that arise from adverse circumstances. Our primary source of ongoing capital generation is the profitability of our insurance subsidiaries. We must comply with numerous constraints on our minimum capital positions. These constraints drive the requirements for capital adequacy for both AIG and the individual businesses and are based on internally-defined risk tolerances, regulatory requirements, rating agency and creditor expectations and business needs. Actual capital levels are monitored on a regular basis, and using ERM's stress testing methodology, we evaluate the capital impact of potential macroeconomic, financial and insurance stresses in relation to the relevant capital constraints of both AIG and our insurance subsidiaries.

We believe that we have sufficient liquidity and capital resources to satisfy future requirements and meet our obligations to policyholders, customers, creditors and debt-holders, including those arising from reasonably foreseeable contingencies or events.

Nevertheless, some circumstances may cause our cash or capital needs to exceed projected liquidity or readily deployable capital resources. Additional collateral calls, deterioration in investment portfolios or reserve strengthening affecting statutory surplus, higher surrenders of annuities and other policies, downgrades in credit ratings, or catastrophic losses may result in significant additional cash or capital needs and loss of sources of liquidity and capital. In addition, regulatory and other legal restrictions could limit our ability to transfer funds freely, either to or from our subsidiaries.

Depending on market conditions, regulatory and rating agency considerations and other factors, we may take various liability and capital management actions. Liability management actions may include, but are not limited to, repurchasing or redeeming outstanding debt, issuing new debt or engaging in debt exchange offers. Capital management actions may include, but are not limited to, paying dividends to our shareholders and share repurchases.

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Sources[a]

- ***AIG Parent Funding from Subsidiaries***

During the first quarter of 2015, AIG Parent received $3.2 billion in dividends and loan repayments from subsidiaries. Of this amount, $800 million was dividends in the form of cash and fixed maturity securities from our Non-Life Insurance Companies and $2.4 billion was dividends and loan repayments in the form of cash and fixed maturity securities from our Life Insurance Companies. The $3.2 billion in dividends and loan repayments included $2.8 billion of dividends that were declared during the fourth quarter of 2014.

AIG Parent also received $291 million in tax sharing payments from our insurance businesses in the first quarter of 2015. The tax sharing payments may be subject to further adjustment in future periods.

- ***Debt Issuances***

On January 15, 2015, we issued $1.2 billion aggregate principal amount of 3.875% Notes due 2035 and $800 million aggregate principal amount of 4.375% Notes due 2055.

On March 20, 2015, we issued $350 million aggregate principal amount of 4.35% Callable Notes due 2045.

Uses

- ***Debt Reduction***[b]

During the first quarter of 2015, we repurchased, through cash tender offers, approximately $1.0 billion aggregate principal amount of certain DIB senior notes issued or guaranteed by AIG for an aggregate purchase price of approximately $1.1 billion, using cash allocated to the DIB.

We also made other repurchases and repayments of approximately $0.9 billion during the first quarter of 2015. AIG Parent made interest payments on our debt instruments totaling $240 million during the first quarter of 2015.

- ***Dividend***

We paid a cash dividend of $0.125 per share on AIG Common Stock during the first quarter of 2015.

- ***Repurchase of Common Stock***[c]

We repurchased approximately 29 million shares of AIG Common Stock during the first quarter of 2015, for an aggregate purchase price of approximately $1.4 billion. The total number of shares of AIG Common Stock repurchased in the first quarter of 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth quarter of 2014.

• ***PICC***

During the first quarter of 2015, AIG Parent purchased 440 million ordinary H shares of PICC P&C from our Non-Life Insurance Companies for approximately $864 million.

(a) In April 2015, AIG Parent received gross proceeds of approximately $500 million from the settlement of our March 30, 2015 sale of 256 million ordinary H shares of PICC P&C by means of a placement to certain institutional investors.

(b) In April 2015, we repurchased, through cash tender offers and privately negotiated transactions, approximately $61 million aggregate principal amount of certain DIB senior notes guaranteed by AIG for an aggregate purchase price of approximately $66 million, using cash allocated to the DIB. In addition, in April 2015, we repurchased, through cash tender offers, approximately $915 million aggregate principal amount of certain junior subordinated debentures issued or guaranteed by AIG for an aggregate purchase price of approximately $1.25 billion.

(c) Pursuant to an Exchange Act Rule 10b5-1 plan, from April 1 to April 30, 2015, we have repurchased approximately $0.8 billion of additional shares of AIG Common Stock.

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Analysis of Sources and Uses of Cash

The following table presents selected data from AIG's Condensed Consolidated Statements of Cash Flows:

Three Months Ended March 31, *(in millions)*	2015	2014
Sources:		
Net cash provided by operating activities	$ 388	$ 763
Net cash provided by changes in restricted cash	-	-
Net cash provided by other investing activities	361	4,450
Changes in policyholder contract balances	180	460
Issuance of long-term debt	2,585	1,583
Total sources	3,514	7,256
Uses:		
Change in restricted cash	(47)	(667)
Change in policyholder contract balances	-	-
Repayments of long-term debt	(1,893)	(3,281)
Purchases of AIG Common Stock	(1,398)	(867)
Net cash used in other financing activities	(78)	(2,184)
Total uses	(3,416)	(6,999)
Effect of exchange rate changes on cash	(33)	(11)
Increase in cash	$ 65	$ 246

The following table presents a summary of AIG's Condensed Consolidated Statements of Cash Flows:

Three Months Ended March 31, *(in millions)*	2015	2014
Summary:		
Net cash provided by operating activities	$ 388	$ 763
Net cash provided by investing activities	314	3,783
Net cash used in financing activities	(604)	(4,289)
Effect of exchange rate changes on cash	(33)	(11)
Increase in cash	65	246
Cash at beginning of year	1,758	2,241
Change in cash of businesses held-for-sale	-	3
Cash at end of period	$ 1,823	$ 2,490

Operating Cash Flow Activities

Insurance companies generally receive most premiums in advance of the payment of claims or policy benefits. The ability of insurance companies to generate positive cash flow is affected by the frequency and severity of losses under their insurance policies, policy retention rates and operating expenses.

Interest payments totaled $0.3 billion for the first quarter of 2015 compared to $0.8 billion in the same period in the prior year. Excluding interest payments, AIG generated positive operating cash flow of $0.7 billion for the first quarter of 2015 and $1.6 billion for the first quarter of 2014.

Cash used in operating activities of our Non-Life Insurance Companies in the first quarter of 2015 was $0.4 billion compared to $0.7 billion in the first quarter of 2014, primarily due to higher pre-tax operating income in 2015.

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Cash provided by operating activities of our Life Insurance Companies was $0.1 billion in the first quarter of 2015, a decrease from cash provided of $0.5 billion in the same period in the prior year, primarily due to a net decrease in other liabilities and other assets, partially offset by higher net income.

Cash provided by operating activities of businesses held for sale was zero for the first quarter of 2015 compared to $0.6 billion for the first quarter of 2014.

Investing Cash Flow Activities

Net cash provided by investing activities in the first quarters of 2015 and 2014 included approximately $0.1 billion and $1.7 billion, respectively, of cash collateral received in connection with the securities lending program launched during 2012 by our Life Insurance Companies.

Financing Cash Flow Activities

Net cash used in financing activities in the first quarter of 2015 included:

- approximately $170 million to pay a dividend of $0.125 per share on AIG Common Stock;
- approximately $1.4 billion to repurchase approximately 29 million shares of AIG Common Stock; and
- approximately $1.8 billion to repay long-term debt.

Net cash used in financing activities in the first quarter of 2014 included:

- approximately $182 million to pay a dividend of $0.125 per share on AIG Common Stock;
- approximately $867 million to repurchase approximately 17.4 million shares of AIG Common Stock;
- approximately $3.1 billion to repay long-term debt; and
- approximately $200 million to repay long-term debt of business held-for-sale.

Liquidity and Capital Resources of AIG Parent and Subsidiaries

AIG Parent

As of March 31, 2015, AIG Parent had approximately $15.8 billion in liquidity sources. AIG Parent's liquidity sources are held in the form of cash, short-term investments and publicly traded, intermediate-term investment grade rated fixed maturity securities. Fixed maturity securities consist of U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, and corporate and municipal bonds. AIG Parent actively manages its assets and liabilities in terms of products, counterparties and duration. Based upon an assessment of its immediate and longer-term funding needs, AIG Parent purchases publicly traded, intermediate-term investment grade rated fixed maturity securities that can be readily monetized through sales or repurchase agreements. These securities allow us to diversify sources of liquidity while reducing the cost of maintaining sufficient liquidity. AIG Parent liquidity sources are monitored through the use of various internal liquidity risk measures. AIG Parent's primary sources of liquidity are dividends, distributions, loans and other payments from subsidiaries, as well as credit and contingent liquidity facilities. AIG Parent's primary uses of liquidity are for debt service, capital and liability management, operating expenses and subsidiary capital needs.

We generally manage capital flows between AIG Parent and its subsidiaries through internal, Board approved policies and guidelines. In addition, AIG Parent has unconditional capital maintenance agreements (CMAs) in place with certain

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subsidiaries. Nevertheless, regulatory and other legal restrictions could limit our ability to transfer capital freely, either to or from our subsidiaries.

We believe that we have sufficient liquidity and capital resources to satisfy our reasonably foreseeable future requirements and meet our obligations to our creditors, debt-holders and insurance company subsidiaries. We expect to access the debt markets from time to time to meet funding requirements as needed.

We utilize our capital resources to support our businesses, with the majority of capital allocated to our core insurance operations. Should we have or generate more capital than is needed to support our business strategies (including organic growth or acquisition opportunities) or mitigate risks inherent to our business, we may develop plans to distribute such capital to shareholders via dividends or share repurchase authorizations or deploy such capital towards liability management.

In the normal course, it is expected that a portion of the capital released by our core insurance operations or through the utilization of AIG’s deferred tax assets may be available for distribution to shareholders. Additionally, it is expected that capital associated with businesses or investments that do not directly support our core insurance operations may be available for distribution to shareholders or deployment towards liability management upon its monetization.

In developing plans to distribute capital, AIG considers a number of factors, including, but not limited to: the capital resources available to support our core insurance operations and business strategies, AIG’s funding capacity and capital resources in comparison to internal benchmarks, expectations for capital generation, rating agency expectations for capital, as well as regulatory standards for capital and capital distributions.

The following table presents AIG Parent's liquidity sources:

(In millions)	**As of March 31, 2015**	As of December 31, 2014
Cash and short-term investments[(a)(b)]	**$ 6,312**	$ 5,085
Unencumbered fixed maturity securities[(c)]	**4,945**	4,727
Total AIG Parent liquidity	**11,257**	9,812
Available capacity under syndicated credit facility[(d)]	**4,000**	4,000
Available capacity under contingent liquidity facility[(e)]	**500**	500
Total AIG Parent liquidity sources	**$ 15,757**	$ 14,312

(a) Cash and short-term investments include reverse repurchase agreements totaling $4.2 billion and $1.6 billion as of March 31, 2015 and December 31, 2014, respectively.

(b) $2.1 billion and $2.9 billion of cash and short-term investments as of March 31, 2015 and December 31, 2014, respectively, are allocated toward future maturities of liabilities and contingent liquidity stress needs of DIB and GCM.

(c) Unencumbered securities consist of publicly traded, intermediate-term investment grade rated fixed maturity securities. Fixed maturity securities consist of U.S. government and government sponsored entity securities, U.S. agency mortgage-backed securities, and corporate and municipal bonds.

(d) For additional information relating to this syndicated credit facility, see Credit Facilities below.

(e) For additional information relating to the contingent liquidity facility, see Contingent Liquidity Facilities below.

Non-Life Insurance Companies

We expect that our Non-Life Insurance Companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our Non-Life Insurance Companies' liquidity resources are held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Certain Non-Life Insurance Companies are members of the Federal Home Loan Banks (FHLBs) in their respective districts. Borrowings from the FHLBs may be used to supplement liquidity. As of March 31, 2015 and December 31, 2014, none of our Non-Life Insurance Companies had FHLB borrowings outstanding.

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Our Non-Life Insurance Companies may require additional funding to meet capital or liquidity needs under certain circumstances. Large catastrophes may require us to provide additional support to our affected operations. Downgrades in our credit ratings could put pressure on the insurer financial strength ratings of our subsidiaries, which could result in non renewals or cancellations by policyholders and adversely affect the subsidiary's ability to meet its own obligations. Increases in market interest rates may adversely affect the financial strength ratings of our subsidiaries, as rating agency capital models may reduce the amount of available capital relative to required capital. Other potential events that could cause a liquidity strain include an economic collapse of a nation or region significant to our operations, nationalization, catastrophic terrorist acts, pandemics or other events causing economic or political upheaval.

On April 30, 2015, AIG Parent and Ascot Corporate Name Limited (ACNL), a Non-Life Insurance Company, entered into a new $725 million letter of credit facility, which replaced the prior $625 million letter of credit facility. ACNL, as a member of the Lloyd's of London insurance syndicate (Lloyd's), is required to hold capital at Lloyd's, known as Funds at Lloyds (FAL). Under the new facility, the entire FAL capital requirement of $625 million as of April 30, 2015, which supports the 2015, 2016 and 2017 years of account, was satisfied with a letter of credit issued under the facility.

AIG generally manages capital between AIG Parent and our Non-Life Insurance Companies through internal, Board-approved policies and guidelines. In addition, AIG Parent is party to a CMA with a Mortgage Guaranty insurance company. Among other things, the CMA provides that AIG Parent will maintain capital and surplus of this Mortgage Guaranty insurance company at or above a specified minimum required capital based on a specified risk-to-capital ratio. In addition, the CMA provides that if capital and surplus of this Mortgage Guaranty insurance company is in excess of that same specified minimum required capital, subject to its board approval and compliance with applicable insurance laws, this Mortgage Guaranty insurance company would declare and pay ordinary dividends to its equity holders up to an amount necessary to reduce projected or actual capital and surplus to a level equal to or not materially greater than such specified minimum required capital. As structured, the CMA contemplates that the specified minimum required capital would be reviewed and agreed upon at least annually. As of March 31, 2015, the minimum required capital for the CMA with the Mortgage Guaranty insurance company is based on a risk-to-capital ratio of 19 to 1. As a result of managing capital through internal, Board-approved policies and guidelines, AIG Parent agreed with AIG Property Casualty Inc. and certain other domestic Non-Life Insurance Companies to terminate their CMA effective February 19, 2015.

In the first quarter of 2015, our Non-Life Insurance Companies paid approximately $800 million in dividends in the form of cash and fixed maturity securities to AIG Parent, of which $600 million represented the remainder of dividends that were declared by our Non-Life Insurance Companies in the fourth quarter of 2014. The fixed maturity securities included investment-grade government, corporate and sovereign bonds, as well as agency RMBS.

Life Insurance Companies

We expect that our Life Insurance Companies will be able to continue to satisfy reasonably foreseeable future liquidity requirements and meet their obligations, including those arising from reasonably foreseeable contingencies or events, through cash from operations and, to the extent necessary, monetization of invested assets. Our Life Insurance Companies' liquidity resources are held in the form of cash, short-term investments and publicly traded, investment grade rated fixed maturity securities.

Certain of our domestic Life Insurance Companies are members of the FHLBs in their respective districts. Borrowings from the FHLBs are used to supplement liquidity or for other uses deemed appropriate by management. Our domestic Life Insurance Companies had outstanding borrowings from the FHLBs in an aggregate amount of $27 million and $44 million as of March 31, 2015 and December 31, 2014, respectively.

The need to fund product surrenders, withdrawals and maturities creates a potential liquidity requirement for our Life Insurance Companies. Management believes that because of the size and liquidity of our Life Insurance Companies' investment portfolios, normal deviations from projected claim or surrender experience would not create significant liquidity risk. Furthermore, our Life Insurance Companies' products contain certain features that mitigate surrender risk, including surrender charges. As part of their risk management framework, our Life Insurance Companies continue to evaluate and, where appropriate, pursue strategies and programs to improve their liquidity position and facilitate their ability to maintain a fully

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invested asset portfolio. Our Life Insurance Companies also have developed a contingent liquidity plan to address unforeseen liquidity needs.

Certain of our domestic Life Insurance Companies have programs, which began in 2012, that lend securities from their investment portfolio to supplement liquidity or for other uses as deemed appropriate by management. Under these programs, these domestic Life Insurance Companies lend securities to financial institutions and receive cash as collateral equal to 102 percent of the fair value of the loaned securities. Cash collateral received is invested in short-term investments. Additionally, the aggregate amount of securities that a Life Insurance Company is able to lend under its program at any time is limited to five percent of its general account statutory-basis admitted assets. There were no outstanding securities lent under these programs by our domestic Life Insurance Companies as of March 31, 2015 and December 31, 2014, and our Life Insurance Companies had no liability to borrowers for collateral received as of March 31, 2015 and December 31, 2014.

AIG generally manages capital between AIG Parent and our Life Insurance Companies through internal, Board-approved policies and guidelines. In addition, AIG Parent is party to a CMA with AGC Life Insurance Company. Among other things, the CMA provides that AIG Parent will maintain the total adjusted capital of AGC Life Insurance Company at or above a specified minimum percentage of its projected NAIC Company Action Level Risk-Based Capital (RBC), which as of March 31, 2015, was 250 percent.

Dividends and loan repayments from our domestic Life Insurance Companies to AIG Parent in the first quarter of 2015 totaled $2.4 billion, which was comprised of cash and fixed maturity securities, of which $2.2 billion represented the remainder of dividends that were declared by our domestic operating Life Insurance Companies in the fourth quarter of 2014. The fixed maturity securities included investment-grade municipal, corporate and sovereign bonds, as well as agency RMBS.

Other Operations

Direct Investment Book

The DIB portfolio is being wound down and is managed with the objective of ensuring that at all times it maintains the liquidity we believe is necessary to meet all of its liabilities as they come due, even under stress scenarios, and to maximize returns consistent with our risk management objectives. We are focused on meeting the DIB's liquidity needs, including the need for contingent liquidity arising from collateral posting for debt positions of the DIB, without relying on resources beyond the DIB. As part of this program management, we may from time to time access the capital markets, including issuing and repurchasing debt, and selling assets on an opportunistic basis, in each case subject to market conditions. If the DIB's risk target is breached, we expect to take appropriate actions to increase the DIB's liquidity sources or reduce liquidity requirements to maintain the risk target, although no assurance can be given that this can be achieved under then prevailing market conditions. Any additional liquidity shortfalls would need to be funded by AIG Parent.

From time to time, we may utilize cash allocated to the DIB that is not required to meet the risk target for the DIB for general corporate purposes unrelated to the DIB.

The DIB's assets consist primarily of cash, short-term investments, fixed maturity securities issued by corporations, U.S. government and government sponsored entities and mortgage and asset backed securities. The value of these assets is impacted by macro economic trends in U.S. and core European markets, including corporate credit spreads, commercial and residential real estate markets, and to a lesser extent, interest rates and foreign exchange rates, among other factors. The majority of these assets are carried at fair value. The DIB's liabilities consist primarily of notes and other borrowings supported by assets as well as other short-term financing obligations. The DIB has both liabilities held at cost and liabilities held at fair value. The liabilities held at fair value vary in price based on changes in AIG's credit spreads. As of March 31, 2015 and December 31, 2014, the DIB had total assets of $13.2 billion and $15.1 billion, respectively, and total liabilities of $7.4 billion and $9.7 billion, respectively.

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The overall hedging activity for the assets and liabilities of the DIB is executed by GCM. The value of hedges related to the non-derivative assets and liabilities of AIGFP in the DIB is included within the assets, liabilities and operating results of GCM and is not included within the DIB's assets, liabilities or operating results.

Collateral posted by operations included in the DIB to third parties was $3.1 billion and $3.5 billion at March 31, 2015 and December 31, 2014, respectively. This collateral primarily consists of securities of the U.S. government and government sponsored entities and generally cannot be repledged or resold by the counterparties.

Global Capital Markets

Derivative transactions between AIG and its subsidiaries and third parties are generally centralized through GCM, specifically through AIG Markets. GCM is required to clear certain derivatives transactions through central regulated clearing organizations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). To the extent a derivatives transaction is subject to a clearing obligation, GCM is required to post collateral in amounts determined by the relevant clearing organization and GCM's clearing agreements with its futures commission merchants. To the extent a derivatives transaction is not subject to a clearing obligation, these derivative transactions are governed by bilateral master agreements, the form of which is published by the International Swaps and Derivatives Association, Inc. (ISDA). Many of these agreements, primarily between GCM and third party financial institutions, require collateral postings. Many of GCM's transactions with AIG and its subsidiaries also include collateral posting requirements, the purpose of which are to provide collateral to GCM, which in turn is used to satisfy posting requirements with third parties, including the margin requirements of clearing organizations and futures commission merchants.

In addition, most of GCM's CDSs within AIGFP are subject to collateral posting provisions. The collateral posting provisions contained in the ISDA Master Agreements and related transaction documents with respect to CDSs differ among counterparties and asset classes. The amount of future collateral posting requirements for super senior CDSs is a function of our credit ratings, the rating of the relevant reference obligations and the market value of the relevant reference obligations, with market value being the most significant factor. We estimate the amount of potential future collateral postings associated with the super senior CDSs using various methodologies. The contingent liquidity requirements associated with such potential future collateral postings are incorporated into our liquidity planning assumptions.

As of March 31, 2015 and December 31, 2014, GCM had total assets of $5.1 billion and $4.5 billion, respectively, and total liabilities of $3.9 billion and $3.1 billion, respectively. GCM's assets consist primarily of cash, short-term investments, other receivables, net of allowance, and unrealized gains on swaps, options and forwards. GCM's liabilities consist primarily of unrealized losses on swaps, options and forwards. Collateral posted by GCM to third parties was $2.9 billion and $3.0 billion at March 31, 2015 and

December 31, 2014, respectively. GCM obtained collateral from third parties totaling $1.9 billion and $1.1 billion at March 31, 2015 and December 31, 2014, respectively. The collateral amounts reflect counterparty netting adjustments available under ISDA Master Agreements and are inclusive of collateral that exceeded the fair value of derivatives as of the reporting date.

Credit Facilities

We maintain a committed, revolving syndicated credit facility (the Five-Year Facility) as a potential source of liquidity for general corporate purposes. The Five-Year Facility provides for aggregate commitments by the bank syndicate to provide unsecured revolving loans and/or standby letters of credit of up to $4.0 billion without any limits on the type of borrowings and is scheduled to expire in June 2019.

As of March 31, 2015, a total of $4.0 billion remains available under the Five-Year Facility. Our ability to borrow under the Five-Year Facility is not contingent on our credit ratings. However, our ability to borrow under the Five-Year Facility is conditioned on the satisfaction of certain legal, operating, administrative and financial covenants and other requirements contained in the Five-Year Facility. These include covenants relating to our maintenance of a specified total consolidated net worth and total consolidated debt to total consolidated capitalization. Failure to satisfy these and other requirements contained in the Five-Year Facility would restrict our access to the Five-Year Facility and could have a material adverse effect on our financial

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condition, results of operations and liquidity. We expect to borrow under the Five-Year Facility from time to time, and may use the proceeds for general corporate purposes.

Contingent Liquidity Facilities

AIG Parent has access to a contingent liquidity facility of up to $500 million as a potential source of liquidity for general corporate purposes. Under this facility, we have the unconditional right, prior to December 15, 2015, to issue up to $500 million in senior debt to the counterparty, based on a put option agreement between AIG Parent and the counterparty.

Our ability to borrow under this facility is not contingent on our credit ratings.

Contractual Obligations

The following table summarizes contractual obligations in total, and by remaining maturity:

March 31, 2015		Payments due by Period				
(in millions)	Total Payments	Remainder of 2015	2016 - 2017	2018 - 2019	2020	Thereafter
Insurance operations						
Loss reserves	$ 77,402	$ 15,967	$ 24,694	$ 12,716	$ 4,072	$ 19,953
Insurance and investment contract liabilities	227,006	10,673	27,534	24,834	11,552	152,413
Borrowings	820	161	-	-	-	659
Interest payments on borrowings	1,403	39	127	127	63	1,047
Other long-term obligations	21	6	10	3	2	-
Total	$ 306,652	$ 26,846	$ 52,365	$ 37,680	$ 15,689	$ 174,072
Other						
Borrowings[(a)]	$ 26,987	$ 2,951	$ 3,606	$ 4,534	$ 2,330	$ 13,566
Interest payments on borrowings	18,829	1,220	2,404	1,915	873	12,417
Other long-term obligations	165	39	7	2	-	117
Total	$ 45,981	$ 4,210	$ 6,017	$ 6,451	$ 3,203	$ 26,100
Consolidated						
Loss reserves	$ 77,402	$ 15,967	$ 24,694	$ 12,716	$ 4,072	$ 19,953
Insurance and investment contract liabilities	227,006	10,673	27,534	24,834	11,552	152,413

Borrowings[(a)]	27,807	3,112	3,606	4,534	2,330	14,225
Interest payments on borrowings	20,232	1,259	2,531	2,042	936	13,464
Other long-term obligations[(b)]	186	45	17	5	2	117
Total[(c)]	$ 352,633	$ 31,056	$ 58,382	$ 44,131	$ 18,892	$ 200,172

(a) In April 2015, we repurchased, through cash tender offers and privately negotiated transactions, approximately $61 million aggregate principal amount of certain DIB senior notes guaranteed by AIG for an aggregate purchase price of approximately $66 million, using cash allocated to the DIB. In addition, in April 2015, we repurchased, through cash tender offers, approximately $915 million aggregate principal amount of certain junior subordinated debentures issued or guaranteed by AIG for an aggregate purchase price of approximately $1.25 billion. Accordingly, in the table above, these instruments are reported as maturing in the remainder of 2015 instead of their original maturity dates.

(b) Primarily includes contracts to purchase future services and other capital expenditures.

(c) Does not reflect unrecognized tax benefits of $4.4 billion, the timing of which is uncertain.

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Loss Reserves

Loss reserves relate to our Non-Life Insurance Companies and represent future losses and loss adjustment expense payments estimated based on historical loss development payment patterns. Due to the significance of the assumptions used, the payments by period presented above could be materially different from actual required payments. We believe that our Non-Life Insurance Companies maintain adequate financial resources to meet the actual required payments under these obligations.

Insurance and Investment Contract Liabilities

Insurance and investment contract liabilities, including GIC liabilities, relate to our Life Insurance Companies. These liabilities include various investment-type products with contractually scheduled maturities, including periodic payments of a term certain nature. These liabilities also include benefit and claim liabilities, of which a significant portion represents policies and contracts that do not have stated contractual maturity dates and may not result in any future payment obligations. For these policies and contracts (i) we are not currently making payments until the occurrence of an insurable event, such as death or disability, (ii) payments are conditional on survivorship or (iii) payment may occur due to a surrender or other non-scheduled event beyond our control.

We have made significant assumptions to determine the estimated undiscounted cash flows of these contractual policy benefits. These assumptions include mortality, morbidity, future lapse rates, expenses, investment returns and interest crediting rates, offset by expected future deposits and premiums on in-force policies. Due to the significance of the assumptions, the periodic amounts presented could be materially different from actual required payments. The amounts presented in this table are undiscounted and exceed the future policy benefits and policyholder contract deposits included in the Condensed Consolidated Balance Sheets.

We believe that our Life Insurance Companies have adequate financial resources to meet the payments actually required under these obligations. These subsidiaries have substantial liquidity in the form of cash and short-term investments. In addition, our Life Insurance Companies maintain significant levels of investment grade rated fixed maturity securities, including substantial holdings in government and corporate bonds, and could seek to monetize those holdings in the event operating cash flows are insufficient. We expect liquidity needs related to GIC liabilities to be funded through cash flows generated from maturities and sales of invested assets.

Borrowings

Our borrowings exclude those incurred by consolidated investments and include hybrid financial instrument liabilities recorded at fair value. We expect to repay the long-term debt maturities and interest accrued on borrowings by AIG through maturing investments and dispositions of invested assets, future cash flows from operations, cash flows generated from invested assets, future debt issuance and other financing arrangements.

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Off-Balance Sheet Arrangements and Commercial Commitments

The following table summarizes Off-Balance Sheet Arrangements and Commercial Commitments in total, and by remaining maturity:

March 31, 2015		Amount of Commitment Expiring				
(in millions)	Total Amounts Committed	Remainder of 2015	2016 - 2017	2018 - 2019	2020	Thereafter
Insurance operations						
Guarantees:						
Standby letters of credit	$ 851	$ 165	$ 20	$ 631	$ 35	$ -
Guarantees of indebtedness	198	168	30	-	-	-
All other guarantees[(a)]	4	-	-	1	-	3
Commitments:						
Investment commitments[(b)]	2,213	1,587	443	158	25	-
Commitments to extend credit	1,959	1,149	173	463	71	103
Letters of credit	6	6	-	-	-	-
Total[(c)]	$ 5,231	$ 3,075	$ 666	$ 1,253	$ 131	$ 106
Other						
Guarantees:						
Liquidity facilities[(d)]	$ 77	$ -	$ -	$ -	$ -	$ 77
Standby letters of credit	215	213	2	-	-	-
All other guarantees	35	10	25	-	-	-
Commitments:						
Investment commitments[(b)]	212	41	47	-	-	124
Commitments to extend credit[(f)]	1,001	1	-	1,000	-	-
Letters of credit	25	25	-	-	-	-
Other commercial commitments[(e)]	65	23	36	6	-	-
Total[(c)]	$ 1,630	$ 313	$ 110	$ 1,006	$ -	$ 201
Consolidated						
Guarantees:						
Liquidity facilities[(d)]	$ 77	$ -	$ -	$ -	$ -	$ 77
Standby letters of credit	1,066	378	22	631	35	-
Guarantees of indebtedness	198	168	30	-	-	-
All other guarantees[(a)]	39	10	25	1	-	3
Commitments:						
Investment commitments[(b)]	2,425	1,628	490	158	25	124
Commitments to extend credit[(f)]	2,960	1,150	173	1,463	71	103
Letters of credit	31	31	-	-	-	-
Other commercial commitments[(e)]	65	23	36	6	-	-

Total[c]	$	6,861	$	3,388	$	776	$	2,259	$	131	$	307

(a) Includes construction guarantees connected to affordable housing investments by our Life Insurance Companies. Excludes potential amounts for indemnification obligations included in asset sales agreements. See Note 10 to the Condensed Consolidated Financial Statements for further information on indemnification obligations.

(b) Includes commitments to invest in private equity funds, hedge funds and mutual funds and commitments to purchase and develop real estate in the United States and abroad. The commitments to invest in private equity funds, hedge funds and other funds are called at the discretion of each fund, as needed for funding new investments or expenses of the fund. The expiration of these commitments is estimated in the table above based on the expected life cycle of the related fund, consistent with past trends of requirements for funding. Investors under these commitments are primarily insurance and real estate subsidiaries.

(c) Does not include guarantees, CMAs or other support arrangements among AIG consolidated entities.

(d) Primarily represents liquidity facilities provided in connection with certain municipal swap transactions and collateralized bond obligations.

(e) Excludes commitments with respect to pension plans. The remaining annual pension contribution for 2015 is expected to be approximately $117 million for U.S. and non-U.S. plans.

(f) Includes a five-year senior unsecured revolving credit facility between AerCap Ireland Capital Limited, as borrower, and AIG Parent, as lender (the AerCap Credit Facility). The AerCap Credit Facility provides for an aggregate commitment of $1.0 billion and permits loans for general corporate purposes. At March 31, 2015, no amounts were outstanding under the AerCap Credit Facility.

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Arrangements with Variable Interest Entities

We enter into various arrangements with variable interest entities (VIEs) in the normal course of business, and we consolidate a VIE when we are the primary beneficiary of the entity. For a further discussion of our involvement with VIEs, see Note 8 to the Condensed Consolidated Financial Statements.

Indemnification Agreements

We are subject to financial guarantees and indemnity arrangements in connection with our sales of businesses. These arrangements may be triggered by declines in asset values, specified business contingencies, the realization of contingent liabilities, litigation developments, or breaches of representations, warranties or covenants provided by us. These arrangements are typically subject to time limitations, defined by contract or by operation of law, such as by prevailing statutes of limitation. Depending on the specific terms of the arrangements, the maximum potential obligation may or may not be subject to contractual limitations. For additional information regarding our indemnification agreements, see Note 10 to the Condensed Consolidated Financial Statements.

We have recorded liabilities for certain of these arrangements where it is possible to estimate them. These liabilities are not material in the aggregate. We are unable to develop a reasonable estimate of the maximum potential payout under some of these arrangements. Overall, we believe that it is unlikely we will have to make any material payments under these arrangements.

Debt

The following table provides the rollforward of AIG's total debt outstanding:

Three Months Ended March 31, 2015 *(in millions)*	Balance at December 31, 2014	Issuances	Maturities and Repayments	Effect of Foreign Exchange	Other Changes
Debt issued or guaranteed by AIG:					
AIG general borrowings:					
Notes and bonds payable	$ 15,570	$ 2,342	$ -	$ (171)	$ 2
Subordinated debt	250	-	-	-	-
Junior subordinated debt	2,466	-	-	(65)	-
Loans and mortgages payable	-	-	-	-	-
AIGLH notes and bonds payable	284	-	-	-	-
AIGLH junior subordinated debt	536	-	-	-	-

Total AIG general borrowings		19,106	2,342	-	(236)	2
AIG/DIB borrowings supported by assets:[a]						
MIP notes payable		2,870	-	(1,034)	(80)	(45)
Series AIGFP matched notes and bonds payable		34	-	(2)	-	6
GIAs, at fair value		4,648	82	(532)	-	103(b)
Notes and bonds payable, at fair value		818	2	(249)	-	(28)(b)
Total AIG/DIB borrowings supported by assets		8,370	84	(1,817)	(80)	36
Total debt issued or guaranteed by AIG		27,476	2,426	(1,817)	(316)	38
Debt not guaranteed by AIG:						
Other subsidiaries notes, bonds, loans and mortgages payable		58	-	(25)	(1)	9
Debt of consolidated investments[c]		3,683	199	(64)	(13)	346(d)
Total debt not guaranteed by AIG		3,741	199	(89)	(14)	355
Total debt	$	31,217 $	2,625 $	(1,906) $	(330) $	393

(a) AIG Parent guarantees all DIB debt, except for MIP notes payable and Series AIGFP matched notes and bonds payable, which are direct obligations of AIG Parent.

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(b) Primarily represents adjustments to the fair value of debt.

(c) At March 31, 2015, includes debt of consolidated investments related to AIG Global Real Estate Investment Corp., AIG Credit Corp., AIGLH and AIG Property Casualty Inc. of $2.0 billion, $36 million, $1.7 billion and $432 million, respectively.

(d) Includes the effect of consolidating previously unconsolidated securitization vehicles.

Total DEBT OUTSTANDING

(in millions)

Debt Maturities

The following table summarizes maturing debt at March 31, 2015 of AIG (excluding $4.2 billion of borrowings of consolidated investments) for the next four quarters:

	Second	Third	Fourth	First

(in millions)	Quarter 2015	Quarter 2015	Quarter 2015	Quarter 2016	Total
AIG general borrowings*	**$ 1,253**	**$ 250**	**$ 847**	**$ -**	**$ 2,350**
AIG/DIB borrowings supported by assets*	**474**	**167**	**121**	**27**	**789**
Other subsidiaries notes, bonds, loans and mortgages payable	**21**	**9**	**9**	**-**	**39**
Total	**$ 1,748**	**$ 426**	**$ 977**	**$ 27**	**$ 3,178**

* In April 2015, we repurchased, through cash tender offers and privately negotiated transactions, approximately $61 million aggregate principal amount of certain DIB senior notes guaranteed by AIG for an aggregate purchase price of approximately $66 million, using cash allocated to the DIB. In addition, in April 2015, we repurchased, through cash tender offers, approximately $915 million aggregate principal amount of certain junior subordinated debentures issued or guaranteed by AIG for an aggregate purchase price of approximately $1.25 billion. Accordingly, in the table above, these instruments are reported as maturing in the second quarter of 2015 instead of their original maturity dates.

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The following table presents maturities of long-term debt (including unamortized original issue discounts, hedge accounting valuation adjustments and fair value adjustments, when applicable), excluding $4.2 billion in borrowings of consolidated investments:

March 31, 2015		Remainder			Year Ending			
(in millions)	Total	of 2015	2016	2017	2018	2019	2020	Therea
Debt issued or guaranteed by AIG:								
AIG general borrowings:								
Notes and bonds payable	$17,743	$ 847	$1,451	$ 481	$2,407	$ 998	$2,249	$ 9,
Subordinated debt	250	250	-	-	-	-	-	
Junior subordinated debt*	2,401	1,091	-	-	-	-	-	1,
AIGLH notes and bonds payable	284	-	-	-	-	-	-	
AIGLH junior subordinated debt	536	162	-	-	-	-	-	
Total AIG general borrowings	21,214	2,350	1,451	481	2,407	998	2,249	11,
AIG/DIB borrowings supported by assets:								
MIP notes payable*	1,711	174	265	921	351	-	-	
Series AIGFP matched notes and bonds payable	38	-	-	10	-	-	-	
GIAs, at fair value	4,301	515	107	180	565	103	81	2,
Notes and bonds payable, at fair value*	543	73	153	38	110	-	-	
Total AIG/DIB borrowings supported by assets	6,593	762	525	1,149	1,026	103	81	2,
Total debt issued or guaranteed by AIG	27,807	3,112	1,976	1,630	3,433	1,101	2,330	14,
Other subsidiaries notes, bonds, loans and mortgages payable	41	39	1	1	-	-	-	
Total	$27,848	$ 3,151	$1,977	$1,631	$3,433	$1,101	$2,330	$ 14,

* In April 2015, we repurchased, through cash tender offers and privately negotiated transactions, approximately $61 million aggregate principal amount of certain DIB senior notes guaranteed by AIG for an aggregate purchase price of approximately $66 million, using cash allocated to the DIB. In addition, in April 2015, we repurchased, through cash tender offers, approximately $915 million aggregate principal amount of certain junior subordinated debentures issued or guaranteed by AIG for an aggregate purchase price of approximately $1.25 billion. Accordingly, in the table above, these instruments are reported as maturing in the remainder of 2015 instead of their original maturity dates.

Credit Ratings

Credit ratings estimate a company's ability to meet its obligations and may directly affect the cost and availability of financing to that company. The following table presents the credit ratings of AIG and certain of its subsidiaries as of April 30, 2015. Figures in parentheses indicate the relative ranking of the ratings within the agency's rating categories; that ranking refers only to the major rating category and not to the modifiers assigned by the rating agencies.

	Short-Term Debt		Senior Long-Term Debt		
	Moody's	S&P	Moody's[a]	S&P[b]	Fitch[c]
AIG	**P-2 (2nd of 3)**	**A-2 (2nd of 8)**	**Baa 1 (4th of 9)**	**A- (3rd of 8)**	**BBB+ (4th of 9**
	Stable Outlook		***Stable Outlook***	***Stable Outlook***	***Positive Outloo***
AIG Financial Products Corp.[d]	**P-2**	**A-2**	**Baa 1**	**A-**	**-**
	Stable Outlook		***Stable Outlook***	***Stable Outlook***	
AIG Funding, Inc.[d]	**P-2**	**A-2**	**-**	**-**	**-**
	Stable Outlook				

(a) Moody's appends numerical modifiers 1, 2 and 3 to the generic rating categories to show relative position within the rating categories.

(b) S&P ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(c) Fitch ratings may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

(d) AIG guarantees all obligations of AIG Financial Products Corp. and AIG Funding, Inc.

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These credit ratings are current opinions of the rating agencies. They may be changed, suspended or withdrawn at any time by the rating agencies as a result of changes in, or unavailability of, information or based on other circumstances. Ratings may also be withdrawn at our request.

We are party to some agreements that contain “ratings triggers.” Depending on the ratings maintained by one or more rating agencies, these triggers could result in (i) the termination or limitation of credit availability or a requirement for accelerated repayment, (ii) the termination of business contracts or (iii) a requirement to post collateral for the benefit of counterparties.

In the event of adverse actions on our long-term debt ratings by the major rating agencies, AIGFP and certain other GCM entities would be required to post additional collateral under some derivative transactions or could experience termination of the transactions. Such requirements and terminations could adversely affect our business, our consolidated results of operations in a reporting period or our liquidity. In the event of a further downgrade of AIG’s long-term senior debt ratings, AIGFP and certain other GCM entities would be required to post additional collateral, and certain of the counterparties of AIGFP or of such other GCM entities would be permitted to terminate their contracts early.

The actual amount of collateral that we would be required to post to counterparties in the event of such downgrades, or the aggregate amount of payments that we could be required to make, depends on market conditions, the fair value of outstanding affected transactions and other factors prevailing at the time of the downgrade.

For a discussion of the effects of downgrades in the financial strength ratings of our insurance companies or our credit ratings, see Note 9 to the Condensed Consolidated Financial Statements herein and Part I, Item 1A. Risk Factors – Liquidity, Capital and Credit in our 2014 Annual Report.

Regulation and Supervision

For a discussion of our regulation and supervision by different regulatory authorities in the United States and abroad, including with respect to our liquidity and capital resources, see Item 1. Business — Regulation and Item 1A. Risk Factors — Regulation in our 2014 Annual Report and Item 2. MD&A – Regulatory Environment in this Quarterly Report on Form 10-Q.

Dividends and Repurchases of AIG Common Stock

On February 12, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on March 26, 2015 to shareholders of record on March 12, 2015. On April 30, 2015, our Board of Directors declared a cash dividend on AIG Common Stock of $0.125 per share, payable on June

25, 2015 to shareholders of record on June 11, 2015.The payment of any future dividends will be at the discretion of our Board of Directors and will depend on various factors, including the regulatory framework applicable to us, as discussed further in Note 17 to the Consolidated Financial Statements in the 2014 Annual Report.

Our Board of Directors has authorized the repurchase of shares of AIG Common Stock through a series of actions. On April 30, 2015, our Board of Directors authorized an additional increase of $3.5 billion to the share repurchase authorization, resulting in an aggregate remaining authorization on such date of approximately $3.8 billion. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors, including the regulatory framework applicable to us.

During the first quarter of 2015, we repurchased approximately 29 million shares of AIG Common Stock for an aggregate purchase price of approximately $1.4 billion pursuant to this authorization. The total number of shares of AIG Common Stock repurchased in the first quarter of 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth

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quarter of 2014. Pursuant to an Exchange Act Rule 10b5-1 plan, from April 1 to April 30, 2015, we have repurchased approximately $0.8 billion of additional shares of AIG Common Stock.

Dividend Restrictions

Payments of dividends to AIG by its insurance subsidiaries are subject to certain restrictions imposed by regulatory authorities. See Note 20 to the Consolidated Financial Statements in the 2014 Annual Report for a discussion of restrictions on payments of dividends by our subsidiaries.

Risk management includes the identification and measurement of various forms of risk, the establishment of risk thresholds and the creation of processes intended to maintain risks within these thresholds while optimizing returns. We consider risk management an integral part of managing our core businesses and a key element of our approach to corporate governance.

Overview

We have an integrated process for managing risks throughout our organization in accordance with our firm wide risk appetite. Our Board of Directors has oversight responsibility for the management of risk. Our Enterprise Risk Management (ERM) Department supervises and integrates the risk management functions in each of our business units, providing senior management with a consolidated view of the firm's major risk positions. Within each business unit, senior leaders and executives approve risk taking policies and targeted risk tolerance within the framework provided by ERM. ERM supports our businesses and management in the embedding of enterprise risk management in our key day-to-day business processes and in identifying, assessing, quantifying, managing and mitigating the risks taken by us and our businesses. Nevertheless, our risk management efforts may not always be successful and material adverse effects on our business, results of operations, cash flows, liquidity or financial condition may occur.

For a further discussion of AIG's risk management program, see Part II, Item 7. MD&A Enterprise Risk Management in the 2014 Annual Report.

Credit Risk Management

Overview

Credit risk is defined as the risk that our customers or counterparties are unable or unwilling to repay their contractual obligations when they become due. Credit risk may also result from a downgrade of a counterparty's credit ratings or a widening of its credit spreads.

We devote considerable resources to managing our direct and indirect credit exposures. These exposures may arise from, but are not limited to, fixed income investments, equity securities, deposits, commercial paper investments, reverse repurchase agreements and repurchase agreements, corporate and consumer loans, leases, reinsurance recoverables, counterparty risk arising from derivatives activities, collateral extended to counterparties, insurance risk cessions to third parties, financial guarantees and letters of credit.

We monitor and control our company-wide credit risk concentrations and attempt to avoid unwanted or excessive risk accumulations, whether funded or unfunded. To minimize the level of credit risk in some circumstances, we may require mitigants, such as third party guarantees, reinsurance or collateral, including commercial bank-issued letters of credit and trust collateral accounts. We treat these guarantees, reinsurance recoverables, letters of credit and trust collateral accounts as credit exposure and include them in our risk concentration exposure data.

See Investments – Available for Sale Investments herein for further information on our credit concentrations and credit exposures.

Market Risk Management

Market risk is defined as the risk of adverse impact due to systemic movements in one or more of the following market risk drivers: equity and commodity prices, residential and commercial real estate values, interest rates, credit spreads, foreign exchange, inflation, and their levels of volatility.

We are engaged in a variety of insurance, investment and other financial services businesses that generate market risk, directly and indirectly. We are exposed to market risks primarily within our insurance and capital markets businesses, on both the asset and liability side of our balance sheet through on and off-balance sheet exposures. The chief risk officer within each business is responsible for properly identifying these risks, then ensuring that they are appropriately measured, monitored and managed in accordance with the risk governance framework established by the Chief Market Risk Officer (CMRO).

The scope and magnitude of our market risk exposures is managed under a robust framework that contains documented risk-taking authorities, defined risk limits and minimum standards for managing market risk in a manner consistent with our Risk Appetite Statement. Our market risk management framework focuses on quantifying the financial repercussions of changes in these broad market observables, distinct from the idiosyncratic risks associated with individual assets that are addressed through our credit risk management function.

Risk Identification

Market risk focuses on quantifying the financial repercussions of changes in broad, external, predominantly market observable risks. Financial repercussions can include an adverse impact on results of operations, financial condition, liquidity and capital.

Each of the following systemic risks is considered a market risk:

Equity prices. We are exposed to changes in equity market prices affecting a variety of instruments. Changes in equity prices can affect the valuation of publicly-traded equity shares, investments in private equity, hedge funds and mutual funds, exchange-traded funds, and other equity-linked capital market instruments as well as equity-linked insurance products, including but not limited to index annuities, variable annuities, universal life insurance and variable universal life insurance.

Residential and commercial real estate values. Our investment portfolios are exposed to the risk of changing values in a variety of residential and commercial real estate investments. Changes in residential/commercial real estate prices can affect the valuation of residential/commercial mortgages, residential/commercial mortgage backed securities and other structured securities with underlying assets that include residential/commercial mortgages: trusts that include residential/commercial real estate and/or mortgages, and residential mortgage insurance contracts and commercial real estate investments.

Interest rates. Interest rate risk can arise from a mismatch in the interest rate exposure of assets versus liabilities. Lower interest rates generally result in lower investment income and resulting product changes will generally reduce the attractiveness of our insurance products in the marketplace. Conversely, higher interest rates are typically beneficial for the opposite reasons. However, when rates rise quickly, there can be a temporary asymmetric U.S. GAAP accounting effect where the existing securities lose market value, which is largely reported in Other comprehensive income, and the offsetting decrease in the value of related liabilities may not be recognized. Changes in interest rates can affect the valuation of fixed maturity securities, financial liabilities, insurance contracts including but not limited to fixed rate annuities, variable annuities and derivative contracts.

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Credit spreads. Credit spreads measure an instrument's risk premium or yield relative to that of a comparable duration, default free instrument. Changes in credit spreads can affect the valuation of fixed maturity securities, including but not limited to corporate bonds, ABS, mortgage-backed securities, AIG-issued debt obligations, credit derivatives and derivative credit valuation adjustments. Much like higher interest rates, wider credit spreads mean more investment income in the long term. In the short term, quickly rising spreads will cause a loss in the value of existing fixed maturity securities, which is largely reported in Other comprehensive income. A precipitous rise in credit spreads may also signal a fundamental weakness in the credit worthiness of bond obligors, potentially resulting in default losses.

Foreign exchange (FX) rates. We are a globally diversified enterprise with significant income, assets and liabilities denominated in, and significant capital deployed in, a variety of currencies. Changes in FX rates can affect the valuation of a broad range of balance sheet and income statement items as well as the settlement of cash flows exchanged in specific transactions.

Commodity Prices. Changes in commodity prices (the value of commodities) can affect the valuation of publicly traded commodities, commodity indices and derivatives on commodities and commodity indices.

Inflation. Changes in inflation can affect the valuation of fixed maturity securities, including AIG-issued debt obligations, derivatives and other contracts explicitly linked to inflation indices, and insurance contracts where the claims are linked to inflation either explicitly, via indexing, or implicitly, through medical costs or wage levels.

Risk Measurement

Our market risk measurement framework was developed with the main objective of communicating the range and scale of our market risk exposures. At the firm wide level market risk is measured in a manner that is consistent with AIG's Risk Appetite Statement. This is designed to ensure that we remain within our stated risk tolerance levels and can determine how much additional market risk taking capacity is available within our framework. Our risk appetite is currently defined in terms of capital and liquidity levels under specific stress tests. At the market risk level, the framework measures our overall exposure to each systemic market risk change on an economic basis.

In addition, we continue to enhance economic, U.S. GAAP accounting and statutory capital based risk measures at the market risk level, business unit level and firm wide levels. This process aims to ensure that we have a comprehensive view of the impact of our market risk exposures.

Sensitivity analysis. Sensitivity analysis measures the impact from a unit change in a market risk input. Examples of such sensitivities include a one basis point increase in yield on fixed maturity securities, a one basis point increase in credit spreads on fixed maturity securities, and a one percent increase in price on equity securities.

Scenario analysis. Scenario analysis uses historical, hypothetical, or forward looking macroeconomic scenarios to assess and report exposures. Examples of hypothetical scenarios include a 100 basis point parallel shift in the yield curve or a 20 percent immediate and simultaneous decrease in world wide equity markets. Scenarios may also utilize a stochastic framework to arrive at a probability distribution of losses.

Stress testing. Stress testing is a special form of scenario analysis in which the scenarios are designed to lead to a material adverse outcome. Examples of such scenarios include the stock market crash of October 1987 or the widening of yields or spreads of RMBS or CMBS during 2008.

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Market Risk Sensitivities

The following table provides estimates of our sensitivity to changes in yield curves, equity prices and foreign currency exchange rates:

	Balance Sheet Exposure		Balance Sheet Effect	
(dollars in millions)	**March 31, 2015**	December 31, 2014	**March 31, 2015**	December 31, 2014
Sensitivity factor			100 bps parallel increase in all yield curves	
Interest rate sensitive assets:				
Fixed maturity securities	**274,622**	273,885	**(15,326)**	(15,107)
Mortgage and other loans receivable	**17,262**	16,594	**(1,018)**	(921)
Preferred stock	**20**	19	**(2)**	(1)
Total interest rate sensitive assets	**$ 291,904**(a)	$ 290,498(a)	**$ (16,346)**	$ (16,029)
Sensitivity factor			20% decline in stock prices and value of alternative investments	
Equity and alternative investments exposure:				
Hedge funds	**10,908**	10,798	**(2,182)**	(2,160)
Private equity	**8,605**	8,858	**(1,721)**	(1,772)
Real estate investments	**4,539**	3,612	**(908)**	(722)
PICC(b)	**2,961**	3,375	**(592)**	(675)
Common equity	**1,880**	2,044	**(376)**	(409)
Aircraft asset investments	**632**	651	**(126)**	(130)
AerCap(c)	**5,125**	4,972	**(1,025)**	(994)
Other investments	**758**	1,331	**(152)**	(266)
Total equity and alternative investments exposure	**$ 35,408**	$ 35,641	**$ (7,082)**	$ (7,128)
Sensitivity factor			10% depreciation of all foreign currency exchange rates against the U.S. dollar	
Foreign currency-denominated net asset position(d)	**$ 13,233**	$ 12,005	**$ (1,323)**	$ (1,201)

(a) At March 31, 2015, the analysis covered $291.9 billion of $309.4 billion interest-rate sensitive assets. Excluded are $0.7 billion in DIB assets, $8.0 billion of loans, and $3.8 billion of investments in life settlements. In addition, $5.0 billion of assets across various asset categories were excluded due to modeling limitations. At December 31, 2014, the analysis covered $290.4 billion of $308.9 billion interest-rate sensitive assets. Excluded are $0.8 billion in DIB assets, $8.4 billion of loans, and $3.8 billion of investments in life settlements. In addition, $5.5 billion of assets across various asset categories were excluded due to modeling limitations.

(b) Includes our investments in PICC Group and PICC P&C.

(c) The sensitivity calculation for AerCap is based on our carrying value rather than the stock price as of the applicable date.

(d) The majority of the foreign currency exposure is reported on a one quarter lag.

Foreign currency-denominated net asset position reflects our consolidated non U.S. dollar assets less our consolidated non U.S dollar liabilities on a U.S. GAAP basis. We use a bottom-up approach in managing our foreign currency exchange rate exposures with the objective of protecting statutory capital at the regulated insurance entity level. We manage cash flow risk on our foreign currency-denominated debt issued by AIG Parent and use a variety of techniques to mitigate this risk, including but not limited to the execution of cross-currency swaps and the issuance of new foreign currency-denominated debt to replace equivalent maturing debt. At the AIG Parent level, we monitor our foreign currency exposures against single currency and aggregate currency portfolio limits. As a matter of general practice, we do not typically hedge our foreign currency exposures to net investments in subsidiaries. However, we may utilize either cross-currency swaps or our foreign currency- denominated debt as a net investment hedge of our capital in subsidiaries.

At March 31, 2015, our five largest foreign currency net asset positions were denominated in British pounds, Canadian dollars, euro, Hong Kong dollars and Japanese yen. Our foreign currency-denominated net asset position at March 31, 2015 increased by 10.2 percent, or $1.2 billion, compared to December 31, 2014. The increase was mostly due to a $494 million increase in our British pound position, primarily resulting from AIG Parent repurchasing outstanding British pound-denominated debt; a

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$493 million increase in our Hong Kong dollar position, primarily resulting from the Non-Life Insurance Companies investment in PICC P&C; and a $91 million increase in our Japanese yen position primarily resulting from debt hedging.

For illustrative purposes, we modeled our sensitivities based on a 100 basis point increase in yield curves, a 20 percent decline in equities and alternative assets, and a 10 percent depreciation of all foreign currency exchange rates against the U.S. dollar. The estimated results presented in the table above should not be taken as a prediction, but only as a demonstration of the potential effects of such events.

Liquidity Risk Management

Liquidity risk is defined as the risk that our financial condition will be adversely affected by the inability or perceived inability to meet our short-term cash, collateral or other financial obligations. Failure to appropriately manage liquidity risk can result in insolvency, reduced operating flexibility, increased costs, reputational harm and regulatory action.

AIG and its legal entities seek to maintain sufficient liquidity during both the normal course of business and under defined liquidity stress scenarios to ensure that sufficient cash can be generated to meet the obligations as they come due.

AIG Parent liquidity risk tolerance levels are established for base and stress scenarios over a time horizon covering a period of up to one year. We maintain a liquidity buffer designed to ensure that funding needs are met under varying market conditions. If we project that we will breach the tolerance, we will assess and determine appropriate liquidity management actions. However, the market conditions in effect at that time may not permit us to achieve an increase in liquidity sources or a reduction in liquidity requirements.

Risk Identification

The following sources of liquidity and funding risks could impact our ability to meet short-term financial obligations as they come due.

- Market/Monetization Risk: Assets cannot be readily transformed into cash due to unfavorable market conditions. Market liquidity risk may limit our ability to sell assets at reasonable values to meet liquidity needs.

- Cash Flow Mismatch Risk: Discrete and cumulative cash flow mismatches or gaps over short-term horizons under both expected and adverse business conditions may create future liquidity shortfalls.

- Event Funding Risk: Additional funding is required as the result of a trigger event. Event funding risk comes in many forms and may result from a downgrade in credit ratings, a market event, or some other event that created a funding obligation or limits existing funding options.

- Financing Risk: We are unable to raise additional cash on a secured or unsecured basis due to unfavorable market conditions, AIG-specific issues, or any other issue that impedes access to additional funding.

Risk Measurement

Comprehensive cash flow projections under normal conditions are the primary component for identifying and measuring liquidity risk. We produce comprehensive liquidity projections over varying time horizons that incorporate all relevant liquidity sources and uses and include known and likely cash inflows and outflows. In addition, we perform stress testing by identifying liquidity stress scenarios and assessing the effects of these scenarios on our cash flow and liquidity.

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Coverage Ratios: Coverage Ratios measure the adequacy of a portfolio of assets to meet the forecasted net cash flow over a specified time horizon. The portfolio of assets is selected based on our ability to convert those assets into cash under the assumed market conditions and within the specified time horizon.

Asset Ratios: Asset Ratios measure and track the quality of an entity's assets that can be used to raise liquidity over a specified period of time.

Cash Flow Forecasts: Cash Flow Forecasts measure the liquidity needed for a specific legal entity over a specified time horizon.

Stress Testing: Coverage Ratios and Asset Ratios are re-measured under defined liquidity stress scenarios that will impact net cash flows, liquid assets and/or other funding sources.
Relevant liquidity reporting is produced and reported regularly to AIG Parent and business unit risk committees. The frequency, content, and nature of reporting will vary for each business unit and legal entity, based on its complexity, risk profile, activities and size.

The preparation of financial statements in accordance with U.S. GAAP requires the application of accounting policies that often involve a significant degree of judgment.

- income tax assets and liabilities, including recoverability of our net deferred tax asset and the predictability of future tax operating profitability of the character necessary to realize the net deferred tax asset;

- liability for unpaid losses and loss adjustment expenses;

- reinsurance assets;

- valuation of future policy benefit liabilities and timing and extent of loss recognition;

- valuation of liabilities for guaranteed benefit features of variable annuity products;

- estimated gross profits to value deferred acquisition costs for investment-oriented products;

- impairment charges, including other-than-temporary impairments on available for sale securities, impairments on investments in life settlements and goodwill impairment;

- liability for legal contingencies; and
- fair value measurements of certain financial assets and liabilities.

These accounting estimates require the use of assumptions about matters, some of which are highly uncertain at the time of estimation. To the extent actual experience differs from the assumptions used, our consolidated financial condition, results of operations and cash flows could be materially affected. For a complete discussion of our critical accounting estimates, you should read Part II, Item 7. MD&A — Critical Accounting Estimates in the 2014 Annual Report.

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Item 2 / REGULATORY ENVIRONMENT

Our operations around the world are subject to regulation by many different types of regulatory authorities, including insurance, securities, derivatives, investment advisory, banking and thrift regulators in the United States and abroad.

Our insurance subsidiaries are subject to regulation and supervision by the states and jurisdictions in which they do business. The insurance and financial services industries generally have been subject to heightened regulatory scrutiny and supervision in recent years.

AIG continues to be regulated and supervised by the Board of Governors of the Federal Reserve System (FRB) due to its designation by the Financial Stability Oversight Council as a nonbank SIFI. As a nonbank SIFI, AIG is required each year to submit to the FRB and the Federal Deposit Insurance Corporation (FDIC) a plan for its rapid and orderly resolution in the event of material financial distress or failure, which must meet several specific requirements, including identifying material entities and core business lines, setting forth a detailed resolution strategy, providing detailed information regarding organizational structure, interconnections and interdependencies, and management information systems, among other elements. On March 26, 2015, the FRB and the FDIC permanently adjusted the annual resolution plan filing deadline for designated nonbank SIFIs, including AIG, from July 1 to December 31 of each year beginning in 2016. The agencies previously granted a temporary extension of the 2015 resolution plan deadline for designated nonbank SIFIs, including AIG, from July 1 to December 31, 2015. The FRB has yet to complete the regulatory and capital framework that will be applicable to AIG as a nonbank SIFI.

In addition to the information set forth in this Quarterly Report on Form 10-Q, our regulatory status is also discussed in Part I, Item 1. Business – Regulation, Part I, Item 1A. Risk Factors – Regulation and Note 20 to the Consolidated Financial Statements in the 2014 Annual Report.

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Accident year The annual calendar accounting period in which loss events occurred, regardless of when the losses are actually reported, booked or paid.

Accident year combined ratio, as adjusted The combined ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Accident year loss ratio, as adjusted The loss ratio excluding catastrophe losses and related reinstatement premiums, prior year development, net of premium adjustments, and the impact of reserve discounting.

Acquisition ratio Acquisition costs divided by net premiums earned. Acquisition costs are those costs incurred to acquire new and renewal insurance contracts and also include the amortization of VOBA and DAC. Acquisition costs vary with sales and include, but are not limited to, commissions, premium taxes, direct marketing costs, certain costs of personnel engaged in sales support activities such as underwriting, and the change in DAC. Acquisition costs that are incremental and directly related to successful sales efforts are deferred and recognized over the coverage periods of related insurance contracts. Acquisition costs that are not incremental and directly related to successful sales efforts are recognized as incurred.

Base Spread Net investment income excluding income from alternative investments and enhancements, less interest credited excluding amortization of sales inducement assets.

Base Yield Net investment income excluding income from alternative investments and enhancements, as a percentage of average base invested asset portfolio, which excludes alternative investments, other bond securities and certain other investments for which the fair value option has been elected.

BET *Binomial Expansion Technique* A model that generates expected loss estimates for CDO tranches and derives a credit rating for those tranches.

Book Value Per Common Share Excluding AOCI and Book Value Per Share Excluding AOCI and DTA are non-GAAP measures and are used to show the amount of our net worth on a per-share basis. Book Value Per Common Share Excluding AOCI is derived by dividing Total AIG shareholders' equity, excluding AOCI, by Total common shares outstanding. Book Value Per Share Excluding AOCI and DTA is derived by dividing Total AIG shareholders' equity, excluding AOCI and DTA, by Total common shares outstanding.

Casualty insurance Insurance that is primarily associated with the losses caused by injuries to third persons, i.e., not the insured, and the legal liability imposed on the insured as a result.

Catastrophe losses are generally weather or seismic events having a net impact on AIG in excess of $10 million each.

Combined ratio Sum of the loss ratio and the acquisition and general operating expense ratios.

CSA *Credit Support Annex* A legal document generally associated with an ISDA Master Agreement that provides for collateral postings which could vary depending on ratings and threshold levels.

CVA *Credit Valuation Adjustment* The CVA adjusts the valuation of derivatives to account for nonperformance risk of our counterparty with respect to all net derivative assets positions. Also, the CVA reflects the fair value movement in the DIB's asset portfolio that is attributable to credit movements only without the impact of other market factors such as interest rates and foreign exchange rates. Finally, the CVA also accounts for our own credit risk, in the fair value measurement of all net derivative liabilities positions and liabilities where AIG has elected the fair value option, when appropriate.

DAC *Deferred Policy Acquisition Costs* Deferred costs that are incremental and directly related to the successful acquisition of new business or renewal of existing business.

DAC Related to Unrealized Appreciation (Depreciation) of Investments An adjustment to DAC for investment-oriented products, equal to the change in DAC amortization that would have been recorded if fixed maturity and equity securities available for sale had been sold at their stated aggregate fair value and the proceeds reinvested at current yields (also referred to as "shadow DAC"). The change in this adjustment, net of tax, is included with the change in net unrealized appreciation (depreciation) of investments that is credited or charged directly to Other comprehensive income (loss).

Deferred Gain on Retroactive Reinsurance Retroactive reinsurance is a reinsurance contract in which an assuming entity agrees to reimburse a ceding entity for liabilities incurred as a result of past insurable events. If the amount of premium paid by

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the ceding reinsurer is less than the related ceded loss reserves, the resulting gain is deferred and amortized over the settlement period of the reserves. Any related development on the ceded loss reserves recoverable under the contract would increase the deferred gain if unfavorable, or decrease the deferred gain if favorable.

Expense ratio Sum of acquisition expenses and general operating expenses, divided by net premiums earned.

First-Lien Priority over all other liens or claims on a property in the event of default on a mortgage.

General operating expense ratio General operating expenses divided by net premiums earned. General operating expenses are those costs that are generally attributed to the support infrastructure of the organization and include but are not limited to personnel costs, projects and bad debt expenses. General operating expenses exclude losses and loss adjustment expenses incurred, acquisition expenses, and investment expenses.

GIC/GIA *Guaranteed Investment Contract/Guaranteed Investment Agreement* A contract whereby the seller provides a guaranteed repayment of principal and a fixed or floating interest rate for a predetermined period of time.

G-SII *Global Systemically Important Insurer* An insurer that is deemed globally systemically important (that is, of such size, market importance and global interconnectedness that the distress or failure of the insurer would cause significant dislocation in the global financial system and adverse economic consequences across a range of countries) by the Financial Stability Board, in consultation with and based on a methodology developed by the International Association of Insurance Supervisors.

IBNR *Incurred But Not Reported* Estimates of claims that have been incurred but not reported to us.

ISDA Master Agreement An agreement between two counterparties, which may have multiple derivative transactions with each other governed by such agreement, that generally provides for the net settlement of all or a specified group of these derivative transactions, as well as pledged collateral, through a single payment, in a single currency, in the event of a default on, or affecting any, one derivative transaction or a termination event affecting all, or a specified group of, derivative transactions.

LAE *Loss Adjustment Expenses* The expenses of settling claims, including legal and other fees and the portion of general expenses allocated to claim settlement costs.

Loss Ratio Losses and loss adjustment expenses incurred divided by net premiums earned. Loss adjustment expenses are directly attributed to settling and paying claims of insureds and include, but are not limited to, legal fees, adjuster’s fees, and claims department personnel costs.

Loss reserve development The increase or decrease in incurred losses and loss adjustment expenses as a result of the re-estimation of liability for unpaid losses and loss adjustment expenses at successive valuation dates for a given group of claims.

Loss reserves Liability for unpaid losses and loss adjustment expenses. The estimated ultimate cost of settling claims relating to insured events that have occurred on or before the balance sheet date, whether or not reported to the insurer at that date.

LTV *Loan-to-Value Ratio* Principal amount of loan amount divided by appraised value of collateral securing the loan.

Master netting agreement An agreement between two counterparties who have multiple derivative contracts with each other that provides for the net settlement of all contracts covered by such agreement, as well as cash collateral, through a single payment, in a single currency, in the event of default on or upon termination of any one such contract.

Net premiums written Represent the sales of an insurer, adjusted for reinsurance premiums assumed and ceded, during a given period. Net premiums earned are the revenue of an insurer for covering risk during a given period. Net premiums written are a measure of performance for a sales period while Net premiums earned are a measure of performance for a coverage period. From the period in which the premiums are written until the period in which they are earned, the amount is presented as Unearned premium reserves in the Consolidated Balance Sheets.

Nonbank SIFI *Nonbank Systemically Important Financial Institutions* Financial institutions are deemed nonbank systemically important (that is, the failure of the financial institution could pose a threat to the financial stability of the United States) by the Financial Stability Oversight Council based on a three-stage analytical process.

Noncontrolling interest The portion of equity ownership in a consolidated subsidiary not attributable to the controlling parent company.

Policy fees An amount added to a policy premium, or deducted from a policy cash value or contract holder account, to reflect the cost of issuing a policy, establishing the required records, sending premium notices and other related expenses.

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Pool A reinsurance arrangement whereby all of the underwriting results of the pool members are combined and then shared by each member in accordance with its pool participation percentage. Prior to January 1, 2014, AIG maintained two pools (the admitted lines pool and the surplus lines pool. Our members in the admitted lines pool are licensed to write standard lines of business by the individual state departments of insurance, and the policy forms and rates are regulated by those departments. Our members in the surplus lines pool provide policyholders with insurance coverage for risks which are generally not available in the standard insurance market. Surplus lines policy forms and rates are not regulated by the insurance departments. Effective January 1, 2014, these two pools were merged into one combined pool (the combined pool).

Premiums and deposits – Institutional Markets include direct and assumed amounts received and earned on group benefit policies and life-contingent payout annuities, deposits received on investment-type annuity contracts including GICs.

Premiums and deposits – Retirement and **– Life** include direct and assumed amounts received on traditional life insurance policies, group benefit policies and deposits on life-contingent payout annuities, as well as deposits received on universal life, investment-type annuity contracts and mutual funds.

Prior year development Increase (referred to as unfavorable or adverse development or reserve strengthening) or decrease (referred to as favorable development) in estimates of losses and loss expenses for prior years that is included in earnings.

RBC *Risk-Based Capital* A formula designed to measure the adequacy of an insurer's statutory surplus compared to the risks inherent in its business.

Reinstatement premium Additional premiums payable to reinsurers to restore coverage limits that have been exhausted as a result of reinsured losses under certain excess of loss reinsurance treaties.

Reinsurance The practice whereby one insurer, the reinsurer, in consideration of a premium paid to that insurer, agrees to indemnify another insurer, the ceding company, for part or all of the liability of the ceding company under one or more policies or contracts of insurance which it has issued.

Rescission Denial of claims and termination of coverage on loans related to fraudulent or undocumented claims, underwriting guideline violations and other deviations from contractual terms.

Retained Interest Category within AIG's Corporate and Other that includes the fair value gains or losses, prior to their sale, of the AIA ordinary shares retained following the AIA Group Limited initial public offering and the fair value gains or losses, prior to the FRBNY liquidation of Maiden Lane III LLC assets in 2012, on the retained interest in Maiden Lane III LLC.

Retroactive Reinsurance See Deferred Gain on Retroactive Reinsurance.

Return on Equity – After-tax Operating Income Excluding AOCI and Return on Equity – After-tax Operating Income Excluding AOCI and DTA are non-GAAP measures and are used to show the rate of return on shareholders' equity. Return on Equity – After-tax Operating Income Excluding AOCI is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI. Return on Equity – After-tax Operating Income Excluding AOCI and DTA is derived by dividing actual or annualized after-tax operating income attributable to AIG by average AIG shareholders' equity, excluding average AOCI and DTA.

Salvage The amount that can be recovered by us for the sale of damaged goods for which our policyholder has been indemnified (and to which title was transferred to us).

Second-lien Subordinate in ranking to the first-lien holder claims on a property in the event of default on a mortgage.

Severe losses Individual non-catastrophe first party losses and surety losses greater than $10 million, net of related reinsurance and salvage and subrogation. Severe losses include claims related to satellite explosions, plane crashes, and shipwrecks.

SIA *Sales Inducement Asset* Represents amounts that are credited to policyholder account balances related to the enhanced crediting rates that a seller offers on certain of its annuity products.

Solvency II Legislation in the European Union which reforms the insurance industry's solvency framework, including minimum capital and solvency requirements, governance requirements, risk management and public reporting standards. The Solvency II Directive (2009/138/EEC), was adopted on November 25, 2009 and is expected to become effective on January 1, 2016.

Subrogation The amount of recovery for claims we have paid our policyholders, generally from a negligent third party or such party's insurer.

Surrender charge A charge levied against an investor for the early withdrawal of funds from a life insurance or annuity contract, or for the cancellation of the agreement.

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Surrender rate represents annualized surrenders and withdrawals as a percentage of average account value.

Unearned premium reserve Liabilities established by insurers and reinsurers to reflect unearned premiums which are usually refundable to policyholders if an insurance or reinsurance contract is canceled prior to expiration of the contract term.

VOBA Value of Business Acquired Present value of projected future gross profits from in-force policies from acquired businesses.

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Item 2 / ACRONYMS

A&H Accident and Health Insurance
ABS Asset-Backed Securities
CDO Collateralized Debt Obligations
CDS Credit Default Swap
CLO Collateralized Loan Obligations
CMA Capital Maintenance Agreement
CMBS Commercial Mortgage-Backed Securities
EGPs Estimated gross profits
FASB Financial Accounting Standards Board
FRBNY Federal Reserve Bank of New York
GAAP Accounting principles generally accepted in the United States of America
GMAV Guaranteed Minimum Account Value Benefits
GMDB Guaranteed Minimum Death Benefits
GMIB Guaranteed Minimum Income Benefits
GMWB Guaranteed Minimum Withdrawal Benefits
ISDA International Swaps and Derivatives Association, Inc.
Moody's Moody's Corporation
NAIC National Association of Insurance Commissioners
NM Not Meaningful
OTC Over-the-Counter
OTTI Other-Than-Temporary Impairment
RMBS Residential Mortgage-Backed Securities
S&P Standard & Poor’s Financial Services LLC
SEC Securities and Exchange Commission
URR Unearned revenue reserve
VIE Variable Interest Entity

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Item 3 / QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Item 3. / QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Included in Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Enterprise Risk Management.

Item 4. / Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. In connection with the preparation of this Quarterly Report on Form 10-Q, an evaluation was carried out by AIG's management, with the participation of AIG's Chief Executive Officer and Chief Financial Officer, of the effectiveness of AIG's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, AIG's Chief Executive Officer and Chief Financial Officer have concluded that AIG's disclosure controls and procedures were effective as of March 31, 2015.

There has been no change in AIG's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, AIG's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 / Legal Proceedings

For a discussion of legal proceedings, see Note 10 to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

Item 1A./ Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2014 Annual Report.

ITEM 2 / UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides the information with respect to purchases made by or on behalf of AIG or any "affiliated purchaser" (as defined in Rule 10b 18(a)(3) under the Securities Exchange Act of 1934) of AIG Common Stock during the three months ended March 31, 2015:

Period	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
January 1 - 31	**3,493,779**	**$ 55.21**	**3,493,779**	**$ -**
February 1 - 28	**9,590,800**	**54.73**	**9,590,800**	**1,976**
March 1 - 31	**15,770,800**	**55.38**	**15,770,800**	**1,102**
Total*	**28,855,379**	**$ 55.14**	**28,855,379**	**$ 1,102**

* On April 30, 2015, our Board of Directors authorized an additional increase to its previous repurchase authorization of $3.5 billion, resulting in an aggregate remaining authorization on such date of approximately $3.8 billion. Shares may be repurchased from time to time in the open market, private purchases, through forward, derivative, accelerated repurchase or automatic repurchase transactions or otherwise. Certain of our share repurchases have been and may from time to time be effected through Exchange Act Rule 10b5-1 repurchase plans. The timing of any future share repurchases will depend on market conditions, our financial condition, results of operations, liquidity and other factors.

During the three-month period ended March 31, 2015, we repurchased approximately 29 million shares of AIG Common Stock under this authorization for an aggregate purchase price of approximately $1.4 billion. The total number of shares of AIG Common Stock repurchased in the three-month period ended March 31, 2015 includes (but the aggregate purchase price does not include) approximately 3.5 million shares of AIG Common Stock received in January 2015 upon the settlement of an ASR agreement executed in the fourth quarter of 2014. Pursuant to an Exchange Act Rule 10b5-1 plan, from April 1 to April 30, 2015, we have repurchased approximately $0.8 billion of additional shares of AIG Common Stock.

Item 4 / Mine Safety Disclosures

Not applicable.

Item 6 / Exhibits

See accompanying Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	AMERICAN INTERNATIONAL GROUP, INC.
	(Registrant)
	/S/ DAVID L. HERZOG
	David L. Herzog
	Executive Vice President
	Chief Financial Officer
	Principal Financial Officer
	Principal Accounting Officer

Dated: May 4, 2015

EXHIBIT INDEX

Exhibit Number	Description	Location
4	Instruments defining the rights of security holders, including indentures	
	(1) Twenty-Third Supplemental Indenture, dated as of January 15, 2015, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.1 to AIG's Current Report on Form 8-K filed with the SEC on January 15, 2015 (File No. 1-8787).
	(2) Twenty-Fourth Supplemental Indenture, dated as of January 15, 2015, between AIG and The Bank of New York Mellon, as Trustee	Incorporated by reference to Exhibit 4.2 to AIG's Current Report on Form 8-K filed with the SEC on January 15, 2015 (File No. 1-8787).
	(3) Twenty-Fifth Supplemental Indenture, dated as of March 20, 2015, between AIG and The Bank of New York Mellon, as Trustee	Filed herewith.
	(4) Form of the 2035 Notes (included in Exhibit 4(1))	
	(5) Form of the 2055 Notes (included in Exhibit 4(2))	
	(6) Form of the 2045 Notes (included in Exhibit 4(3))	
10	Material Contracts	
	(1) CMA Termination Agreement, dated as of February 19, 2015, among American International Group, Inc., AIG Property Casualty Inc., AIU Insurance Company, American Home Assurance Company, AIG Assurance Company, AIG Property Casualty Company, AIG Specialty Insurance Company, Commerce and Industry Insurance Company, Granite State Insurance Company, Illinois National Insurance Co., Lexington Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., New Hampshire Insurance Company and The Insurance Company of the State of Pennsylvania	Incorporated by reference to Exhibit 10.49 to AIG’s Annual Report on Form 10-K for the year ended December 31, 2014 (File No. 1-8787).
	(2) Letter Agreement, dated August 14, 2013, between AIG and Kevin Hogan*	Filed herewith.
	(3) Non-Solicitation and Non-Disclosure Agreement, dated August 14, 2013, between AIG and Kevin Hogan*	Filed herewith.
	(4) Introductory Bonus Agreement, dated August 14, 2013, between AIG and Kevin Hogan*	Filed herewith.
	(5) Form of 2015 Performance Share Units Award Agreement*	Filed herewith.

11	Statement re: Computation of Per Share Earnings	Included in Note 13 to the Condensed Consolidated Financial Statements.
12	Computation of Ratios of Earnings to Fixed Charges	Filed herewith.
31	Rule 13a-14(a)/15d-14(a) Certifications	Filed herewith.
32	Section 1350 Certifications**	Filed herewith.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014, (ii) the Condensed Consolidated Statements of Income for the three months ended March 31, 2015 and 2014, (iii) the Condensed Consolidated Statement of Equity for the three months ended March 31, 2015 and 2014, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014, (v) the Condensed Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2015 and 2014 and (vi) the Notes to the Condensed Consolidated Financial Statements.	Filed herewith.

* This exhibit is a management contract or a compensatory plan or arrangement.

** This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.